BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

MARCH 1947

Jobs with futures

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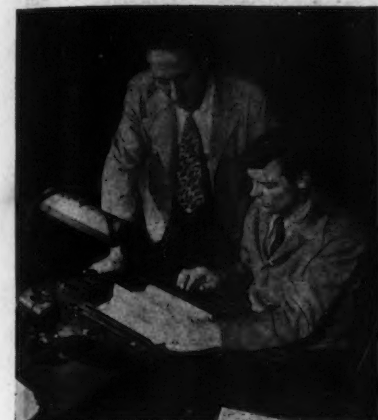
Just a Minute



WEIMAN & LESTER

Leslie L. Schultz, *seated*, is one of five disabled veterans being trained in proof machine operation by The Bank of the Manhattan Company. Watching him at practice is his instructor, D. J. Long of the bank's staff (see page 25.)

Five GIs and a Bank

IN ONE of downtown New York's tallest skyscrapers five disabled veterans of World War II are finding new places for themselves in the business world.

Before the war one was an apprentice butcher, another a railroad section hand, the third a plumber's helper, the fourth a bell captain, the fifth a paint mixer. Now, as trainees in a program set up by the Bank of the Manhattan Company with the cooperation of the Veterans Administration, they're learning to operate proof machines.

The story is told in BANKING by J. T. DE PALMA, assistant treasurer of the bank. Naturally, the first question you'd ask Mr. DE PALMA, if you were to talk to him about the program, would be: How are they doing?

"Following the first phase of hesitancy typical of all new employees," he says, "these disabled veterans have proven their ability to grasp check operations and are daily gaining speed in the operation of the tabulation equip-

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JUST A MINUTE—Continued

ment utilized in the department. As an indication of the high regard with which both the training program and these veteran-trainees are held, it is anticipated that the bank will expand its disabled veteran training to include one or two other types of jobs."

For banks that may be interested in setting up similar projects, we have included information on how to go about it, prepared by WILLIAM POWERS, secretary of the Committee on Service for War Veterans, American Bankers Association.

"Let's Talk About Savings"

THE man who talks about them in this issue is C. W. BAILEY, president of the American Bankers Association.

Country Banker BAILEY is a strong champion of the systematic saver. He thinks the time has come for banks to pay more attention to this practitioner of "an old-fashioned habit that is still in style."

"All bankers know full well the importance of thrift. It is not just a matter of larger deposits resulting. There is something akin to community pride in observing this evidence of careful spending and systematic saving. It is a bulwark of strength which cannot be attained by any other route.

"There never was a period when it was more important to do everything possible to encourage thrift. The dollars saved now should have a much greater purchasing power in the years ahead."

President BAILEY urges that banks put out the welcome sign to encourage the saver's visits.

We Can't Afford This Budget

THAT'S the title of the article ROSWELL MAGILL, former Under Secretary of the Treasury, contributes to BANKING. Mr. MAGILL speaks clearly and plainly about the budget, and offers some suggestions for insuring "the healthy functioning of our private enterprise system." He believes "the one effective way" to reduce the budget is for Congress to set a figure for each federal agency or bureau: "to ask it for a program of expenditure within the assigned total; and to require the department or bureau to adhere to that program."

He also thinks that expenditures at the level proposed by the President "cannot be sustained, unless business activity is very great, above the normal activity we have had in the past.

"Unless Congress and the people agree that the national income will always remain at the present high levels, and that present rigorous tax rates and exemptions should be retained indefinitely, it follows that proposed federal expenditures should be reduced now."

Except for the necessary interest charge, "analysis shows that the budgeted figures are *not* the minimum nor even the essential amounts which must be spent for these various purposes. The bureaus and departments can be run efficiently and well on less money. We really can't afford the total the President has proposed."

"My goodness! The picture on this new bond issue has been banned in Boston!"

JUST A MINUTE—Continued

Mr. MAGILL advocates that Congress bring the 1948 figure as close to $30 billion as possible; "and in a more nearly normal year the budget should be trimmed to $20-$25 billion." Also a thorough revision of the revenue laws is in order.

FRB Monetary Policy

IN THE second article of his series on credit control, E. SHERMAN ADAMS takes up Federal Reserve monetary policy. As in the first article, published last month, he summarizes the views and suggestions of prominent bankers and bank economists, this time on the question: "What should be the powers and the policies of the Board of Governors of the Federal Reserve System with respect to the general level of interest rates, the pattern of interest rates, and the volume of bank credit?"

Credit management, easy money, the pattern of rates, the cost of the debt, and effects of higher rates are some of the topics covered in this survey of opinion. A later article will deal with the financing policies of the Treasury.

Mr. ADAMS is an assistant vice-president of the Central Hanover Bank and Trust Company, New York City.

Face Powder

A POWDER puff saved the day when the new Ballard Branch of the National Bank of Commerce, Seattle, was opened recently.

It seems that the telephone installa-

(CONTINUED ON PAGE 6)

"Have you a twin brother—I hope?"

JUST A MINUTE—Continued

tion men hit a snag when the cable from the switchboard to the main floor refused to slide through the conduit.

Architect, contractor, telephone trouble shooter and bank men went into a huddle. Finally . . . an idea! A workman rushed to a neighborhood drugstore and bought a dollar box of face powder. Then cable and powder were fed carefully into the conduit. The wire slid through without a hitch.

One Good (?) Poem (?) Deserves (?) Another (?)

The letter to Banking was marked "Attention Doggerel Department. Re: 'Who Reconverted Whom?' January 1947 issue, p. 31."

The reference was to Mrs. Brooks E. Cairns' verses which gave a play-by-play account of how a desperate home-seeking veteran wore down a banker, against the latter's better judgment, into agreeing to take up with the board the GI's loan application.

Our correspondent, William J. Cosgrove, vice-commander of the American Legion Post in Glen Cove, New York, and associated with a law firm representing a bank, enclosed "a poem (?)" inspired by Mrs. Cairns' lines.

Mr. Cosgrove, who has worked on a veterans' housing committee for a long time, assured us that: "Any GI who reads Mrs. Cairns' poem will tell you: 'It never happened.' I have tried to show how a GI would describe that interview."

Here's Mr. Cosgrove's version:

G. I. Joe walked into the bank
With an artless air and a manner frank.
The banker smiled and cracked a joke,
And with trustfulness the G. I. spoke:

"I've found a home I want to buy!
Though the price may seem a trifle high,
I can well afford each monthly payment—
On a G. I. loan 'twill be cheaper than rent.

"The price? Six grand, though it cost but four
Twenty years ago or more;
But I've studied the house with care systematic,
And it's sturdy and sound from cellar to attic.

"So draw up your papers, I'll sign them all,
And let's get on the G. I. ball!
We won't let details discommode us;
I've had my final eviction nodus."*

The banker said, "Our board would be cold
Toward a loan on a house more than 10 years old;
Nor do we invest in areas where
Existing construction has an antique air.

"Now we can make a 20-year loan
On a newly-built so-called G. I. home,
Though foundation and framework are none too good,
And the structure's built of unseasoned wood.

"We could lend ten thousand to you and spouse
On a *new* four-thousand dollar house."

(The banker then advises the veteran to wait until realty prices are more in line.)

"We bankers, you see, have an obligation . . . (here Mr. Cosgrove lapses into prose) to make sure that you splendid young men who sacrificed so much for all of us on the battlefields of the world are not taken advantage of, and that in buying old $4,000 houses in the present inflated market you are not induced to pay more than $4,000, less reasonable depreciation . . ." (and here the Muse returns)

'But I'll take it up with the Board,' he said,
And solemnly shook his graying head."

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* Editor's note: With apologies to Ogden Nash.

Houses

Industry-engineered homes, the result of a low-cost housing plan evolved within the industry, are the subject of an article by Arthur A. Hood, editor of *American Lumberman*, a Chicago publication.

"The postwar industry-engineered house," explains Mr. Hood, "is based on partial standardization of design

(Continued on page 11)

"Oooo, look Mom—one of them is escaping!"

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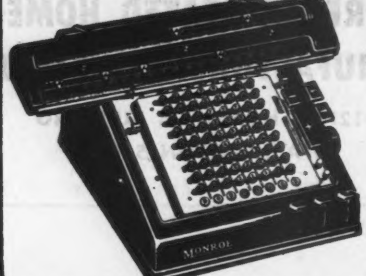

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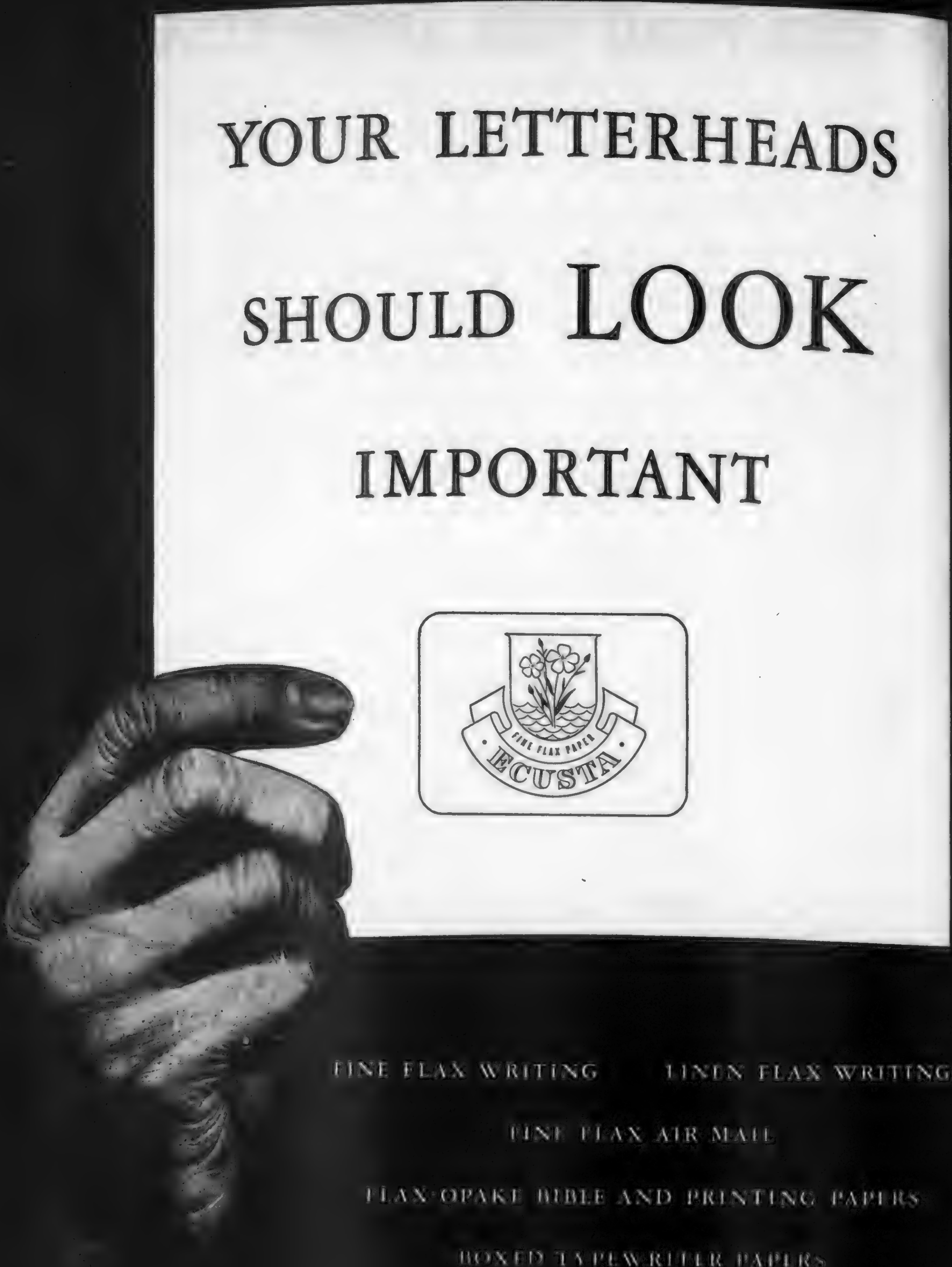
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"Best man we ever had in that job. Sympathetic to a fault!"

within a modular pattern called domino. A domino is a 16 by 24 foot unit that can be multiplied to fit the requirements of any family. These dominos may be arranged into patterns providing an infinite variety of external architectural treatments and a very considerable variation of internal arrangements. Yet the dominos make possible very considerable savings in factory production costs, site production costs and distribution costs . . . " and Mr. Hood tells how.

This house, it seems, "goes down the middle of the road between prefabrication and orthodox construction."

"Fill 'er Up, Bill"

Standard Oil Company of Indiana's employee magazine, *Stanolind Record*, publishes an interesting story that tells where the money for the company's pay checks comes from. The cash paid a service station operator by a farmer is traced as it moves through the collection and disbursement channels, a system that seems simple enough, when you read about it, thanks to the smooth functioning of the extensive banking machinery employed.

"In its essence," sums up the article, "the process comes down to receiving money from customers for Standard Oil products they want and then putting this money where it can be used to pay the people who make and sell the products. But meanwhile a bow is due the treasurer's department and the banks

for handling many millions of dollars almost as directly and quickly as if one service station and one agent and one employee constituted the whole operation."

Once There Were Two Banks

AND this month Messrs. IRWIN and KIRKPATRICK make a cartoon story about them. Both banks advertised, one much more elaborately than the other. But the former, despite its sound selling copy, didn't get results. So its executives called on their more successfully though less spectacular neighbor and asked "How come?"

The answer was: "When people come in this bank, we treat them with respect, courtesy. Advertising has a great deal to do with getting new business. But the personality of the bank must be friendly and sincere, in order to win customers."

The inquiring bankers went back home resolved to check up on customer relations. Then they called a staff meeting. You can well imagine what happened.

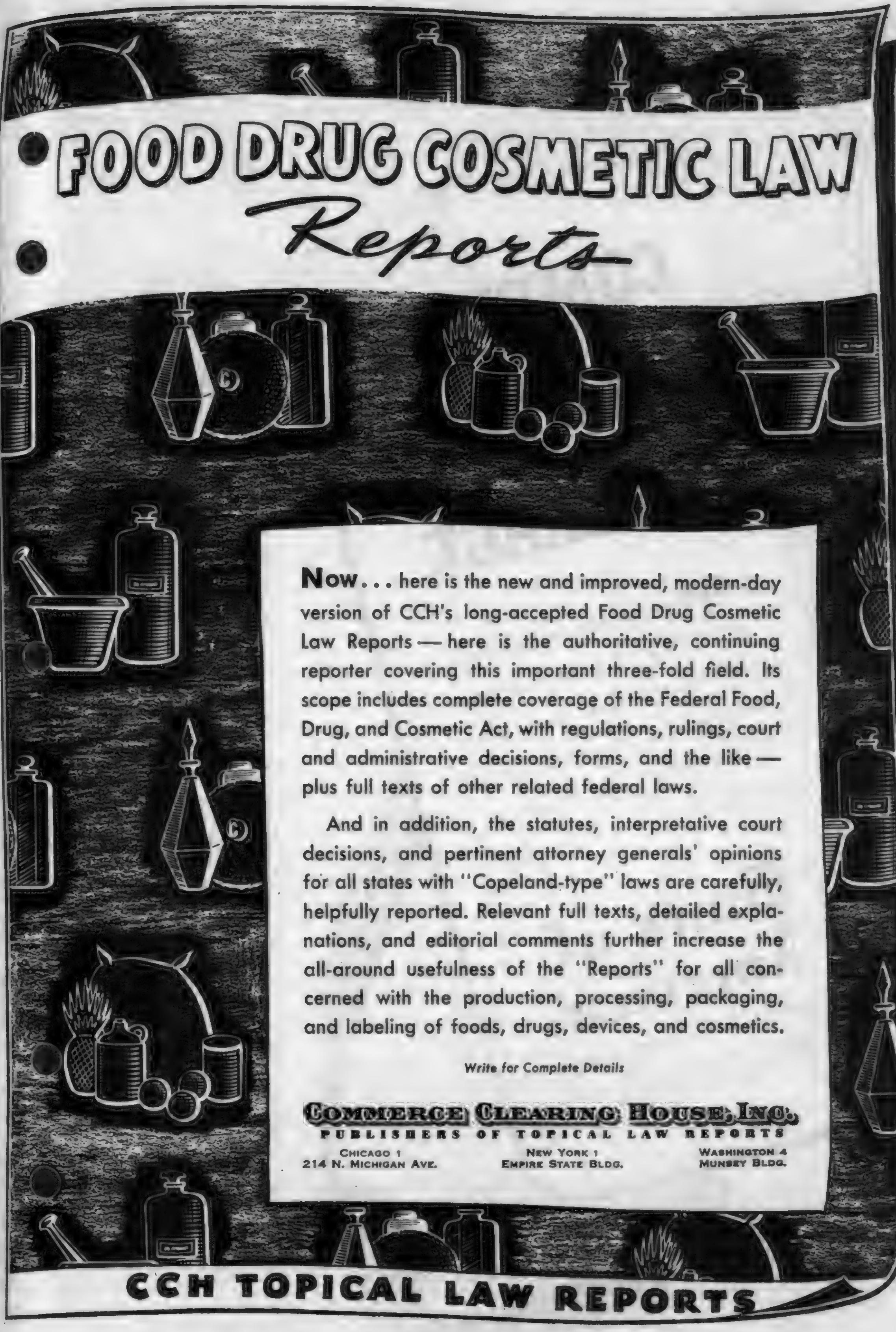
$64,000 Achievement

FROM EDWARD L. PIERCE, a trustee of the Flatbush-Tompkins Congregational Church, Brooklyn, comes this story of an African M. E. church's achievement in paying off its mortgage long before the due date.

After referring to the item "$13 Achievement" on page 12 of February BANKING, which told of a $13 savings account, opened and quickly withdrawn

(CONTINUED ON PAGE 14)

"Hey, that's my lunch!"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"I can give you a strawberry *type* soda"

by the Achievement Club of an A.M.E. church, Mr. PIERCE wrote:

"Our local A.M.E. church on October 1, 1942 purchased the edifice of an older congregation which was withdrawing and merging elsewhere. It paid $10,000 cash of which $5,000 was borrowed, and gave the merged organization a $50,000 mortgage undertaking calling for payment of $1,000 semi-annually, such payment to include 2 percent interest, remainder principal.

"The mortgagee corporation hoped that under this arrangement the obligation might be liquidated in about 30 years.

"Four years from date interest and the entire $50,000 principal had been paid; the $5,000 unsecured loan had been repaid; and an additional $9,000 raised and paid for a new roof."

Mr. PIERCE, a banker, adds that "some 150 Caucasians from the mortgagee congregation attended the mortgage burning ceremony on Sunday, February 2, 1947."

Centennials

ONE hundred years ago this month:

Alexander Graham Bell, inventor of the telephone, was born in Edinburgh (March 3).

The first United States postage stamps were authorized by Congress (also March 3). As every collector knows, there was a 5-center bearing Franklin's portrait and a 10-center, picturing Washington.

JOHN L. COOLEY


JOHN TRAVELER
TWENTY FOUR THOUSAND
SPECIMEN
SPECIMEN

How to Use Movies and Sound Films

BANKERS, like the Chinese, are discovering that one picture is worth a lot of words. This is evident in the increasing numbers of banks that have adopted—or are about to adopt—motion pictures and sound slide films in their educational programs to help interpret banking to the general public; educate customers, such as farmers; train employees in the function of banking, etc., according to William H. Neal, chairman of the Public Relations Council of the American Bankers Association. Mr. Neal is senior vice-president of the Wachovia Bank and Trust Company, Winston-Salem, North Carolina.

Because of the growing demand on the part of banks for basic information on the general subject of motion pictures and slide films, both silent and sound, the Public Relations Council, in cooperation with Visual Education Consultants, Inc., New York, is preparing an illustrated manual tentatively titled "Telling the Bank Story With Pictures." This booklet includes: (1) A description of visual aids; (2) outline of the essentials in a bank visual educational program; (3) description of the types of visual aids now available; and (4) catalog of the films produced by a variety of concerns and now available.

Under the description of visual aids, the manual tells how banks can produce their own films and sound strips and how they can obtain equipment for local use. It also includes suggestions on how to use films—how to set up a projection room and how to project the picture.

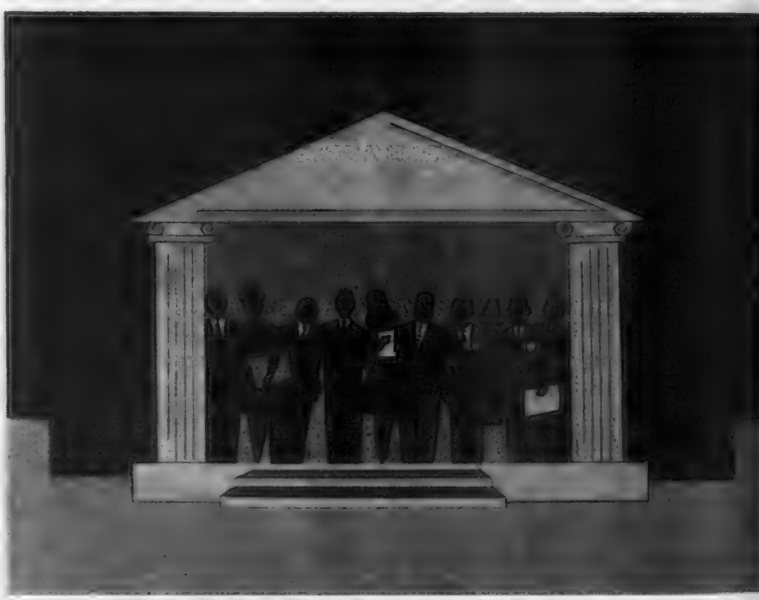
As a second step in helping to meet the needs of banks for suitable up-to-the-minute employee training material, the Public Relations Council has prepared a 15-minute customer relations slide film, in color, with a 35-millimeter sound strip, first prints of which will be released about March 15.

This film will serve as the nucleus of an employees' training program that will, by example, drive home to both old and new employees the advantages of applying the "Golden Rule" in their contacts with bank customers.

The film breaks down into a series of six sequences, around which a group of seven discussion leaders' guides have been built by William Powers, director of the Association's Personnel and Customer Relations Department.

Typical scenes from the new customer relations colored slide film

DRUGGIST: "You take care of Mrs. Smith, Sue—I got to go to the bank! . . . Can 'going to the bank' be made a more pleasant experience? The answer is up to every one of us . . ."



". . . one bank has very little advantage over another in what it has to *offer* . . . The big difference lies in its *people* . . . Because, in the eyes of our customers we *are* the bank"

Using the slide film and the discussion leaders' guides as a basis of the training program, the plan calls for seven 40-minute sessions. The program is launched with the showing of the complete film, followed by the repetition of the first sequence, when the discussion leader goes into action with the first of the training guides.

It shows that the bank is the keystone in the community around which revolves the active life of industry, retailing, service trades, and the running of the American home. It emphasizes that good banking depends upon good teamwork on the part of employees having direct contact with customers and those behind the scenes, pointing out that all kinds of people must drop their work to

"Just reverse things, and *you* are the customer. . . . And when a tradesman treats you pleasantly—performs some *extra* little service for you—you *like* him, and keep coming back to his store."

go to the bank when the bank is open and that every member of the bank's staff—from clerk to top officer—has a part to play in making banking a pleasant experience.

At this juncture it is pointed out that one bank has very little advantage over another in what it has to offer, the difference being in its people and how they treat the bank's customers, because, in the eyes of its customers, the employees are the bank.

By reverse method the film portrays the employee in the role of a customer dealing with a tradesman and develops in rapid-moving technique the little extra courtesies and services valued by people everywhere in their daily activities.

The film then accentuates in a series of skits the right, by contrast with the wrong, way of handling difficult situations in order to keep customers happy and satisfied with the bank's service.

It also emphasizes the customer relations value of prompt and courteous handling of telephone calls, including clear identification of the person speaking and of the department reached by the call.

Colorful illustrative art is used throughout the 76 frames of this film. Each frame effectively illustrates the oral commentary by a top-flight radio announcer.

Now that banks are back on a normal basis, many of them are looking for new employee training material. This new film and portfolio of training guides is the first in a series of training aids that will be offered by the Association should the project be favorably received. This entire package will be available to member banks at actual cost, which probably will not average more than $30 a set.

In order that the Council may accurately estimate the print order, banks are requested to place orders as soon as their needs can be determined.

AROUND OUR BANK

BANK folks sometimes heave a sigh —a sigh perhaps tinged with pride —over the many "extra-curricular" activities they are called upon to undertake in a small town such as ours. Since, in the eyes of the community, the mantle of Elijah as regards mathematical or financial ability has descended upon even the lowliest employee, it is seldom that fewer than three or four are serving as treasurers of civic or fraternal organizations. They speak at luncheon meetings; they teach Sunday school classes; they award medals at commencements; they talk to farmers' organizations.

Even our colored janitors are surrounded by the bank aura in the eyes of their friends. They advise about financial deals; they identify would-be check cashers; they induce our officers to "speak a good word" for a boy who wants a job.

When good old Jim, our janitor for many years, laid down his broom and polishing cloth for the last time, his family gave him a most elaborate funeral. Printed invitations were mailed and the services were set for the afternoon on which the bank closed. Jim had been a faithful retainer; everyone was fond of him, and all the officers of our bank attended his obsequies.

After they had sat through a long sermon in the special seats of honor provided for them in the crowded church, they thought the climax had been reached when the undertaker held up the many floral offerings one by one and told by whom each had been presented. But more was to come. The minister called for testimonies as to the late brother's character and capabilities, and after his friends had spoken at great length, the casket was wheeled to a convenient position before the bank officers and it was made evident that something was expected. It was the first time our president had ever spoken at a funeral, but he rose to the occasion and did a good job. This was perhaps the most unusual "extra-curricular activity" in which he ever took part.

BELLE S. HAMILTON

North of the Border

THE current session of the Canadian Parliament promises to be a lengthy and lively affair. The legislative program is a heavy one, embracing measures intended to shape Canada's economic course. Right of way has been given to these measures but they are subject to prolonged debate and may not be adopted, even in amended form, for some time to come.

One measure is rather similar to that submitted by President Truman to Congress. A Dominion act, under which remaining economic controls in Canada are being administered, expires on March 31. The Government will seek authority for the extension of some wartime powers it considers necessary to maintain such prices and commodity controls as to prevent any sudden and drastic rise in living costs and to direct the movement of goods in short supply so as to ensure equitable distribution. The legislative powers sought in Ottawa are broader than those President Truman requests because Canada has not yet gone as far as the United States in decontrol. But she is moving toward the present American objective of controls over only a few commodities and services. Official plans are being considered outside the legislative chambers to make free markets for practically everything except certain exportable foods, fats and vegetable oils, sugar and rents. These plans may not be effective, however, for another six months.

New Taxation Agreements Formula

One of the most contentious measures now before the Canadian Parliament is a new formula for taxation agreements with the provincial governments. It may be recalled from the May issue of BANKING that the Dominion Government had endeavored, unsuccessfully, to obtain the consent of the provinces to an extension of the wartime taxation powers, which gave the federal authorities exclusive rights to several forms of taxation, notably income and gasoline levies, in return for subsidies to the provinces. The federal authorities proposed that these powers be extended for three years beyond the expiration of the present agreement in March this year. The Quebec Premier took the view that acceptance of the proposals might interfere with the sovereign rights of his province. The Premier of Ontario was firmly of the opinion that his province, which pays about half of all income taxes, would not receive in return enough subsidies to compensate for its contribution. He and some of the other premiers pressed strongly for the return of certain taxation rights, notably succession duties, which the federal authorities considered impracticable.

D. C. ABBOTT
Canada's Minister of Finance

The Dominion Government then proceeded to negotiate separate agreements with the western provinces and New Brunswick and Prince Edward Island on more generous subsidy terms than it offered last Spring. It now seeks parliamentary ratification of these negotiations, but will run into considerable opposition, particularly from supporters of the persistent negative views of Quebec and Ontario.

Until some form of settlement is reached on this matter of tax agreements, with or without Quebec and Ontario, the Dominion Government's budget cannot be completed. It will be April or May before the country has a full account of the national finances and a forecast of the next fiscal year's revenue and expenditure.

Favorable Revenue and Expenditure Record

A more satisfactory record of the current fiscal year's revenue and expenditure accounts will be presented than seemed possible when the national budget was presented last June and the Minister of Finance forecast a deficit of $300 million, exclusive of loans under foreign credits. Revenues have been higher, and expenditures lower, than expected. In the first nine months of the current fiscal year, April-December, total revenues were $2,061 million, nearly $200 million above those of the corresponding period of the preceding fiscal year. The increase was made up largely of higher customs and excise duties resulting from Canada's record import trade, and of sales of war materials, the higher revenues in these categories and some rise in domestic consumption taxes over-balancing a slight decline in income tax collections.

Ordinary expenditures were about $1,250 million less than in the first nine months of the 1945–46 fiscal year. Demobilization and reconversion disbursements were of course much lower in the elapsed part of the current year, but about 10 percent of the decline of nearly $1,500 million was taken up in increased expenditures for servicing a higher national debt, necessitated by war and postwar commitments, including loans to other countries.

Financial Position Important to U. S.

The financial position of Canada becomes more important to the United States as American investments in Canada increase. These investments are now estimated as exceeding $5 billion. The calculations of this large amount are based upon the first official reports of foreign investments in Canada issued since the war, as well as upon records of security transactions during 1946.

The book value of American direct investment in nearly 2,000 Canadian branch plants, subsidiaries and controlled companies, is estimated at $2,300 million, about 20 percent higher than in 1939, and more than half as large again as in 1926. Investments in manufacturing alone are estimated as about $1,300 million, which probably represents nearly one-third of the total industrial capital in Canada. Taking all direct investment—mining, merchandising, transportation and utilities, as well as industrial—it seems that about 20 percent of all capital in these Canadian enterprises is American, although some, indeed much of it in recent years, has come from earnings in Canada blocked under exchange control regulations instituted shortly after war broke out in 1939.

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(CONTINUED FROM PAGE 20)

It is of particular interest to note that the United States-owned direct investment is widely diffused. No less than 1,500 small, or medium-sized, companies have significant amounts of American capital, although more than half of the total amount of U. S. capital is in 40 large organizations.

U. S. Canadian Securities Holdings

Apart altogether from the large direct business interest outlined above, the United States holds more than $2,500 million in Canadian securities, this form of investment increasing by more than 20 percent since 1939. Canadian bonds take first place in the securities owned in the United States, amounting to over $2 billion. The proportion of total Canadian bonds outstanding represented by the bonds held in the United States, however, is less now than in 1939 because of the extent of wartime financing by the Dominion Government through sales of bonds to Canadians. At the end of 1939 Canadian bonds held in the United States represented about 21 percent of the total of almost $10 billion of outstanding Canadian issues. By the end of 1946 the United States holdings amounted to approximately 10 percent of something over $22 billion of Canadian bonds outstanding.

Miscellaneous investments by Americans are estimated as over $125 million in a great variety of sundry assets, such as mortgages, farm lands and summer homes. Bank balances and short-term commercial debts are excluded from this and other classifications of American investments in Canada.

Canada is a proportionately heavy investor in the United States, owning over $450 million in bonds and stocks in branch plants, subsidiaries, controlled companies, railways and utilities operating in the United States.

The investments of these two countries, the largest of any two nations, change, of course, from year to year, particularly those in securities. Thus, transactions in stocks and bonds during 1946 aggregated about $600 million, both sales and purchases. The investments of these two countries also call for considerable transfers in dividends and interest each year, the United States receiving at least $150 million per annum on the American financial stake in Canada, and Canada realizing about $40 million on the capital it has placed in the United States.

BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

MARCH 1947

Left to right, Archie Dennis and Richard J. Russell at work in the Bank of the Manhattan Company

Everyone Wins

A Bank Job Program for Disabled Veterans

J. T. DEPALMA

"Everyone Wins"

THE nation's 1,700,000 disabled veterans of World War II generally have not had an easy time in their efforts to readjust to civilian life.

Many employers have been reluctant to hire or train men and women with handicaps, although survey after survey proved that the disabled are at least as efficient as their more fortunate able-bodied fellow workers. U. S. Employment Service revealed that, in the first nine months of 1946, public employment offices could not place four out of every five handicapped veterans who applied for work.

But there are bright spots in the picture. One of the brightest is the exceptionally fine record in the banking field in training disabled veterans for positions in banks under the Vocational Rehabilitation Act (Public Law 16).

Many banks went so far as to analyze their available positions that could be filled by the handicapped, and hold them open for disabled veteran-trainees.

Everyone wins in cases such as these. The banks win, for they have obtained a group of willing and efficient employees. And the disabled veterans win, for they have found jobs with futures, despite their handicaps, and they henceforth can hold their heads high with self-respect and confidence.

H. V. STIRLING
Assistant Administrator,
Vocational Rehabilitation
and Education,
Veterans Administration

The author is assistant treasurer, Bank of the Manhattan Company. He describes here what one bank has done to train disabled veterans for bank work and place them in jobs with a future.

COLLECTIVELY the Bank of the Manhattan Company's five disabled veteran-trainees could relate an eye witness history of the major land battles fought in World War II. Somewhere near the Rhine or in the South Pacific, however, their experiences met with an abrupt ending—hospitalization, and then the long road back to health. But as these men concentrate on their check sorts, or respond to a suggestion of the bank's proof machine instructor, there is little outward evidence of an enemy counter-offensive that smashed a leg or the hand grenade that ended a campaigner's active participation. They asked no quarter then, they seek none today, but form an exceptionally attentive, interested and willing group of young men who constantly seek information for the betterment of themselves and their grasp of the job.

The excellent results thus far obtained for the bank's disabled veterans could not have been achieved unless the program of rehabilitation had been sound in principle and execution. In this, the bank acknowledges the full cooperation of the Veterans Administration.

The establishment of a training program for disabled veterans under Public Law 16 involves only the following three steps:

1. *VA Training Facilities Survey.* This discussion and inspection survey serves to protect both bank and disabled veteran.

2. *Agreement to Train.* On December 12, 1946, the bank entered into an agreement with the VA to furnish each veteran entered in the program a course of vocational rehabilitation which will render him satisfactorily employable in the chosen occupation. There must also exist a "reasonable certainty" that the job for which the veteran is being trained will be available to him at the end of the training period. The Public Law 16 disabled veteran-trainee is exempt from the training period and compensation limitations of Public Law 679. The Veterans Administration determines the subsistence scale for each disabled veteran-trainee.

3. *Notice of Entrance into Training.* A card report form is all the notification required for the entrance of an applicant into training. For its program, the bank requested only severely handicapped veterans. At that time the bank learned that prior to referral, a Public Law 16 trainee passed through a variety of psychometric, vocational and medical tests and interviews. The results of these tests are matched against the training job requirements in order to reduce the volume of rejection interviews by the prospective employer. The bank's experience with this pre-employment screening has been most satisfactory, for, while the pre-Army business experience of the bank's five trainees (apprentice butcher, paint mixer, railroad section hand, rigger and plumber's helper and bell captain) gave no promise of successful proof machine operation, the men have proved themselves to be temperamentally adapted to the operation. The bank follows its usual policy of pre-employment interview, reference contact and medical examination of the disabled veteran-trainees.

One VA training officer checks monthly on the progress made by these veteran-trainees. He is authorized to consult with officers of the bank concerned and the veteran-trainees. Monthly reports of compensation of the trainees are required, but at the option of the visiting training officer may be submitted only when cut-backs of subsistence allowances are to be effected because of salary increases.

Left to right, **Leslie L. Schultz (also shown on the front cover) and Samuel J. Scala**

The bank's regular operating officers and training personnel in proof machine operations are in daily contact with these veteran-trainees. About once a month the men are interviewed by the bank's personnel department. A production record and salary adjustment review is scheduled after the first eight weeks of employment.

Following the first phase of hesitancy, typical of all new employees, these disabled veterans have proved their ability to grasp check operations and are daily gaining speed in the operation of the tabulation equipment utilized in the department. As an indication of the high regard with which both the training program and these veteran-trainees are held, it is anticipated that the bank will expand its disabled veteran training to include one or two other types of jobs.

The Basis for Selection

ANY BANK desirous of undertaking a Public Law 16 training program need only contact the Training Facilities Section of the nearest VA regional office. The pre-training agreement survey conducted by an officer of this Section is held by the VA in the *strictest confidence*. The survey includes data ranging from fire protection and exits to working conditions, the bank's employment practices and training facilities, the training job description and the beginning and objective salary for the training job classification. If the bank wishes to obtain assistance in the formation of its training schedule, arrangements for this will be made by the VA officer conducting the survey. Upon approval, an outline of the training schedule, together with the time allotted for the steps involved, is provided the bank by the VA for each disabled veteran entered in the training program.

The *Agreement to Train-On-The-Job Disabled Veterans of World War II* entered into by the bank and the Veterans Administration is simply the regular VA Form 7-1904. The agreement is important because it specifically permits: (a) the bank's sole discretion in the acceptance of trainees; (b) complete control of the veteran-trainee according to the bank's rules of conduct and work, together with the authority for dismissal; (c) modifications of the training program; and (d) termination of the agreement by the bank or VA upon 15 days' notice.

Prior to employment, and upon recommendation of a medical advisor, it is possible that a release from employment continuation could be obtained from an individual veteran to cover a prolonged illness that might result from service-incurred disabilities. One of the purposes of the government pension paid to these disabled veterans is to protect the individual from hardship in such a contingency.

WILLIAM POWERS
Secretary,
Committee on Service
For War Veterans,
American Bankers Association

Say It with Pictures

G. EDWIN HEMING

The author is assistant manager of the Advertising Department of the American Bankers Association.

After considerable research into the use of the comic book technique, the Advertising Department of the American Bankers Association decided to launch the first picture-story book of American banking and called upon Educational Comics, Inc., to help. *Peter Penny and His Magic Dollar*, a 16-page booklet in attractive colors, is the outcome. This booklet tells the fascinating story of banking, and holds the interest of readers from start to finish.

The story portrays the imaginary journey of Bobby, a youngster, aboard a magic dollar that flies through the air, piloted by a mythical character called Peter Penny. Pete takes Bob on a trip that shows him the important things that banks do. He sees how bank credit helps to keep business concerns going, creating jobs for America's workers; and he learns how banks help people to practice thrift. He discovers, through a trip back into history, that banks have always functioned for the good of our country, and how their activities in wartime helped to win through to victory.

In the final scenes, Peter Penny shows Bob how banks today are helping to build a better and brighter America—supplying credit to buy new homes, automobiles, household equipment; greasing the wheels of America's industrial machine; helping to make life more pleasant and convenient for the average person in countless different ways. All this is woven together in an interesting picture continuity that appeals to readers of all ages.

Copies will be available to member banks for distribution in their own communities and under their own imprint at nominal cost. Here is a new medium for banks to use in getting their message across to the masses. But it is a tried and tested medium that has proved its worth in other fields. It is the inside track not only to the teen-agers who will be tomorrow's adult customers, but also to their parents who, in such large numbers, read the picture-story books that their youngsters bring into the home.

M. C. Gaines, a former school principal, originated the comic magazine idea and is publisher of a large group of these periodicals. Through Educational Comics, Inc., an organization developed to specialize in this field, he first issued "Picture Stories From the Bible." In its various editions, four million copies have been sold. He has now followed with "Picture Stories From American History," "World History" and other subjects. Religious leaders and educators have welcomed this new tool of teaching, for this modern way of telling stories serves to make each narrative real and absorbing to readers from eight to 80.

Even "Superman" has joined the teaching staff of countless schools throughout the country. At the request of educators, "Superman" was featured in a new role—recommending good books for children to read. It worked like a charm. Librarians reported that invariably the titles recommended by "Superman" went out.

Down through the ages people have told their story for posterity with picture stories. The cavemen told the story of their exploits in crude drawings scratched and painted on the walls of their cave homes. We have learned about ancient Egypt from the hieroglyphics on the tombs of kings, and the life of the American Indian is preserved in pictures drawn on muslin.

Judge Albert H. Gary, late chairman of the United States Steel Corporation, once asked a reporter whether he thought "Spark Plug" would win the Derby. When the reporter's mouth dropped open, Judge Gary said, "Yesterday at a directors' meeting, one of the men asked that question. I found every single one of our directors read the comics." There are as many proprietors and managers as there are unskilled laborers who regularly buy and read comics.

One of the pages from the 16-page booklet, reduced in size, of course, for purposes of reproduction here. The story up to this point relates how Bobby, because the subject seemed very dull, had failed to turn in a school paper on banking. He goes to his bedroom with the paper still unwritten, although his teacher has allowed him one more day for the assignment. Disconsolate, he empties his pig-bank with the idea of leaving home and school and seeking adventure, when suddenly at the window—

We Can't Afford This Budget

ROSWELL MAGILL

The article which follows is based on a talk which the author made on February 25 before the Economic Club of New York. MR. MAGILL, *who was Under Secretary of the Treasury in 1937–38, is a member of the law firm of Cravath, Swaine & Moore and is a Professor of Taxation at Columbia University. He is chairman of the Committee on Postwar Tax Policy, which came into being in 1944 and consists of a small group of leading economists. Reports which they have published have been based on studies made possible by the Falk Foundation of Pittsburgh.*

CAN the Federal fiscal system be reformed to enable our free private enterprise system to function successfully? During the past 15 years, we have taken a good many steps along the road toward a planned economy. Our present tax system is well framed for that end. Great Britain has gone farther along the road than we have, and we are fortunate in being able to contrast today some of the results of her policies with the accomplishments of our own. The fiscal system, federal expenditures on the one side, and the tax structure on the other, is important to the citizen, not only because of its impact on him personally, but because of its force in shaping business decisions and indeed the character of the economy. We need to be very sure that the premises of our fiscal decisions are sound.

The keystone of federal fiscal policy is the level of expenditures. Before we can discuss the tax system, we must decide how much federal expenditures are to be. Taxes are certainly not enacted for themselves alone, but to meet the necessary costs of the Government. How much should those expenditures be? How can any citizen or indeed any Congressman tell? Must we accept, perforce, the determinations and estimates of the President and Director of the Budget?

The Bureau of the Budget and now the Congressional financial committees have the responsibility for investigating particular expenditures. We cannot do that here. We can come to some conclusions, however, as to what the total federal outlays should be. Such an over-all analysis will be the most fruitful for another reason. The federal budget is made up of a myriad of items of expenditures, all for agencies that Congress has authorized at one time or another, expressly or impliedly. In making up his budget, the President assumes that these agencies are to continue, since Congress has once authorized them; and that they must be provided with funds and personnel. At that point, a large element of judgment and discretion enters the equation. How much personnel is needed? How generously should the agency be provided for?

FEW federal agencies are wholly unnecessary or wholly undesirable. Most of them perform some useful service, though they may perform it wastefully. Some can be eliminated, but in more cases, the agency needs to be trimmed down to fit present peacetime conditions. Too many federal administrators have budgeted on the basis of the free-spending days of the war.

I believe that the one effective way to reduce the budget is for Congress to set a figure for the particular department or agency or bureau; to ask it for a program of expenditure within the assigned total; and to require the department or agency or bureau to adhere to that program. The head of the bureau knows better than anyone else where cuts can be made, or personnel dispensed with. He will do the job if he has to, but only if he has to; for he shares the normal human desire to expand his agency and make it bigger and better.

We need to get rid of the idea that the Federal Government has plenty of money to do every good thing any of us can think of. What are the facts? The President has proposed budget expenditures for 1948 of $37.5 billions. The revenues produced by present taxes, much the highest we have ever known in peace time, barely balance the proposed expenditures. Since most of the Federal revenues come from the income tax, most of the revenues are the product of rates times taxable income. Now national income is also at the highest level we have ever experienced, twice that in 1929 and more than twice that of 1940. Of course, national income may remain very high; it may even go higher, as some wishful thinkers have already suggested. But since it may also go lower, for example to levels forecast by the Budget Bureau only a year ago, we must consider, if we are to be at all prudent, what will happen then.

THE Budget Bureau itself estimated a year ago what federal revenues would be, if the national income were $140 billion and not $165 billions, the figure used for the revenue estimates in the budget message this year. On that assumption, the revenues were estimated at $27.5 billions, or $10 billions *less* than the amount needed to balance the proposed budget expenditures for 1948. Here we have a significant figure. Expenditures at the 1948 level proposed by the President cannot be sustained, unless business activity is very great, above the normal activity we have had in the past. Unless Congress and the people agree that the national income will always remain at the present high levels, and that present rigorous tax rates and exemptions should be retained indefinitely, it follows that proposed federal expenditures should be reduced now. No other acceptable alternative is available. If the Government is to be able to balance the budget in less good times, many billions must be squeezed out of the budget now. We need to put our fiscal house in good order while the business weather is still fair.

That federal expenditures have been allowed to reach too high a level can be shown in other ways. Federal personnel totals now well over twice what it did in 1939 and nearly four times what it did in 1932. It is inconceivable that so many employees are really necessary. To be sure, the number is down from the war peak, but it needs to be sharply reduced to peacetime necessities. The federal service will be the better for the elimination of extra personnel with not enough to do.

In 1922, three years after the peak expenditures of World War I, total federal expenditures had been reduced, by good fiscal management, to about one-sixth of the peak. Moreover, it is significant that the federal budget remained at approximately the same level all through the Twenties. The

year 1948 is three years after the peak costs of World War II, yet the 1948 budget has been brought down not to one-sixth of the peak war costs, but to four billions more than one-third. If, then, the fiscal history of the Twenties should be repeated, we confront a continuation for the next decade of the highest peace-time taxes we have known. Moreover, the budget will be balanced only if national income remains at the highest level we have known. This is not an inviting prospect. It needs attention and leadership now.

Some will ask whether the budget should be cut or can be cut in this troubled world. Let us review a few of the major budget items. We must meet a $5 billion interest charge each year. We must do our duty by the veterans, and the cost is budgeted at $7.3 billions. We must maintain adequate national defense, and that is estimated to cost $11.5 billions. Then there are all the expenditures for the general government, public works, conservation, international affairs, and so on. How can we economize?

Here I must emphasize my original thesis. Certainly we must pay the interest charge, maintain our defenses and take care of our veterans. But, except for the interest charge, analysis shows that the budgeted figures are *not* the minimum nor even the essential amounts which must be spent for these various purposes. The bureaus and departments can be run efficiently and well on less money. We really can't afford the total the President has proposed. If the bureaus and departments are required to show what they can do with less, they will find that the Federal Government can perform its essential functions well on much less than $37.5 billions. We know it has done so in the past.

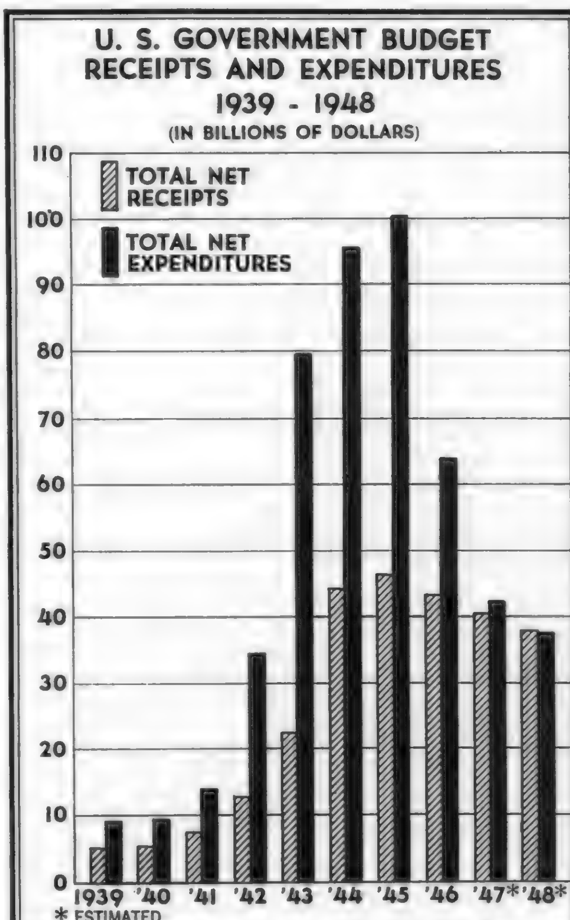
Congress should bring the figure down in 1948 to as close to $30 billions as it can get; and in a more nearly normal later year, the budget should be trimmed to $20–$25 billions. Even so, the Federal Government will be spending several times what it did in the Thirties. If expenditures can be reduced to this extent, regular payments on our huge debt can be made, and taxes can be gradually reduced at the same time.

It has been five years since the revenue laws were thoroughly revised; and so another thorough revision is in order. In the interim, there have been several unhappy decisions by the Supreme Court that require correction; and several of the statutory provisions apply the thumb-screws too harshly. Nevertheless it is unlikely that this Congress manned by new party leaders will want to undertake revenue revision on a broad scale at this time. On the other hand, a substantial cut in Federal expenditures; the strengthening of the excise tax system; a sensible revision of the surtax rates; the elimination of the double tax on corporate dividends and of some of the other principal inequities, will do much to insure the healthy functioning of our enterprise system, so essential to the welfare of our country and indeed of the world.

The road to a federal fiscal program that will be good for American business and the American people is not an easy one to follow. It is always easier to spend than to save. Moreover, it is sobering to reflect that year after year, even with prudent budget management, we shall have to meet with taxes, expenditures at least three times those of the thirties, and perhaps four or five times. Like all other governmental problems, the fiscal problem demands strong leadership and wise leadership for its solution, backed by an intelligent electorate.

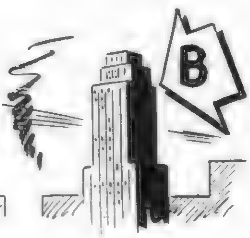
President Truman's Budget

National defense	$11,256
Veterans' services and benefits	7,343
Interest on the public debt	5,000
International affairs and finance	3,510
Refund of tax receipts	2,065
Social, health and security	1,654
Transportation and communication	1,530
General government	1,492
Agriculture and agricultural resources	1,381
Natural resources	1,101
Housing and community facilities	539
Finance, commerce and industry	426
Labor	118
Education and general research	88
Reserve for contingencies	25
TOTAL	$37,528



YOU CAN ADVERTISE YOUR HEAD OFF

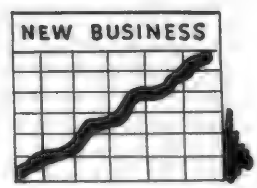
(A) Bank



(B) Bank

Both banks have fair share of customers.

(A) Bank takes great pains with advertising program. Spends its appropriation efficiently.



(A) Bank gets customers. Has good new-business record.

(B) Bank dissipates its advertising budget. Half on "Compliments of a friend" advertising, and the other half hit-or-miss.

(B) Bank wants many more customers. Decides to swamp community with propaganda.

Hires big-time advertising agency to spend three times as much as (A) Bank. Expects, by simple arithmetic to get three times as many customers.

Advertising is superb, solid, sound selling copy, in the right media at the right time –

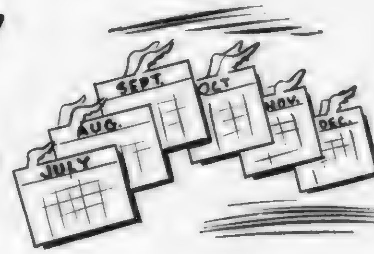
and merchandised fully.

At the end of six months the number of customers attributed to advertising equals —

By J. WILL IRWIN and BOB KIRKPATRICK

Five.

The president and the chairman of the board run a combined temperature of 206°.



Six more months.

Five more customers.

In last fit of despair president and chairman of board call on president of (A) Bank, ask, "How do you do it?"

Answer is simple. "When people come in this bank, we treat them with respect, courtesy."

"Advertising has a great deal to do with getting new business."

"But the personality of the bank must be friendly, sincere—to win customers."

President and chairman of board go back to (B) Bank and observe lobby activities.

They call staff meeting.

Seismograph records the tremor.

A Consumer Credit Boom, Perhaps . . .

But—*Watch the Hazards!*

A. ANTON FRIEDRICH

"I do not intend to play the role of a 'Delphic Oracle,'" said Professor Friedrich when asked to interpret for BANKING*'s readers the National Consumer and Instalment Credit Conference held at St. Louis, Missouri, January 23–25, by the American Bankers Association. "But it must be confessed that a certain amount of soothsaying is almost inevitable in any interpretation by an economist. In the main, however, I shall limit myself to summarizing the impressions the conference and its proceedings made upon me."*

The author, a regular contributor to BANKING, *is professor of economics at New York University and a member of The Graduate School of Banking faculty. He is also co-author of several books on economics, and contributor on economic subjects to the Encyclopedia of Social Sciences.*

WHAT impressed me more than anything else at the National Consumer and Instalment Credit Conference of the American Bankers Association was the last session on Saturday morning. It wasn't the speeches, although they were good. It wasn't the subject matter, although that was interesting. Rather, it was the fact that nearly 500 of the delegates were willing to stay over and appear for the final session. As an outsider, representing another industry, remarked, "This is the only conference I have attended where this sort of thing happened."

This incident and the conference generally indicate clearly at least one thing. Instalment credit is no longer an unwanted step-child of banking, accepted only with grudging tolerance because shrinking earnings from other sources make it necessary. To be sure, instalment credit is still young. As banking ages go, it is a mere infant. But it is strong and vigorous; an established and accepted field of American banking, and a dynamic one.

In this conference, there were no indications that the misgivings of the early period of consumer credit are now matters of serious concern. There are still many problems; in fact, problems are perennial, otherwise conferences would be unnecessary. The issue, however, is not whether to go into consumer and instalment credit, or, if having gone in, it was a wise decision, for by and large, bankers apparently are satisfied on the strength of their experience that it is possible to conduct instalment credit operations profitably on the basis of reasonable rates and charges. The issue now is how best to develop the opportunities which the field of instalment credit offers.

The opportunities which lie ahead for 1947 were outlined by spokesmen for the various industries which rely primarily upon instalment credit for the distribution of their products or for the financing of their operations. Represented were automobile retailers; the distributors of home furnishings, of electrical appliances, and of materials for home maintenance and modernization; the motor carrier industry, and producers of airplanes and farm machinery.

Although the speeches varied in their content, reflecting the varying conditions in the different industries, there was in all of them a common note. Whether the topic under discussion was farm machinery or electric ice-boxes, whether it was the motor carrier industry or the merchandising of home furnishings, all the speakers expressed extremely optimistic expectations regarding the volume of activity for 1947. Nineteen billion dollars, it was estimated, would be the volume of construction for 1947. Automobile sales would amount to around $5 billion. The motor carrier industry expected to buy some $2 billion of trucks and trailers. The utilities hoped to sell a mere 3,600,000 refrigerators, 3,000,000 electric washing machines, 2,000,000 vacuum cleaners, 1,800,000 ranges. And so on, in similar vein, for the other industries. If there were any forebodings in their minds, they were not overtly expressed.

The optimistic estimates of the anticipated volume of activity for 1947 raise a number of questions:

(1) *To what extent are these estimates likely to be realized?* It should be noted that they were the estimates of men with an intimate knowledge of their industry and the market for their products. Moreover, it is to their interest to gauge their expectations not on arithmetical flights of fancy but on carefully considered market analysis.

Now the realization of their expectations is not an automatic affair but depends upon several conditions. Unless the products can first be produced, they obviously cannot be sold. In this respect, it seems to me, the present situation is reasonably favorable. The prospects of a continued period of industrial peace are far better than they were last year. It is unlikely that there will be a series of disastrous strikes in the basic industries. Although there are still shortages of key materials, these are gradually being overcome.

Another essential condition is the factor of prices at which these products are sold and their price relationships. If present price lines hold, if there are no further increases, there will be a much greater possibility that the guesses of

January will correspond with the realizations to be reported in December.

(2) *If these expectations are realized, what will be the effect upon the level of business activity?* It is pretty generally agreed that there will be no further expansion in the field of the soft consumer goods. Rather it is possible that the tendency there is a reverse one. Whether or not there will be a recession in 1947, and if so, how serious it will be, will depend upon the course of developments in the field of durable goods If 1947 will go down in history as a prosperous year—and I think it will—the reason for this will be largely the high level of activity in the production and sale of durable consumer goods.

(3) *If these expectations are largely realized what will be the consequences of this in the field of instalment credit?* The answer, of course, is obvious and I ask the question only for the sake of the record. Obviously the volume of instalment loans will reflect the volume of sales of the goods they are intended to finance. Moreover the relationship between saving, incomes, and prices is such that many prospective buyers who intended to make cash purchases will now find it necessary to borrow, that many who intended to borrow only a small part of the purchase price will depend upon a large loan to finance their purchases. Those speakers who predicted that the increase in instalment sales credit will carry the outstanding volume of consumer credit in 1947 to record heights cannot be far wrong.

(4) *To what extent may commercial bankers expect to participate in the forthcoming boom market for instalment loans?* Their general trading position is a very favorable one but if the tone and emphasis of the various speeches are an indication, their experience will vary with the different industries. In the farm machinery industry the banks have established strong and friendly connections which should affect very favorably the volume of financing in that field. In other industries, however, past associations with other financial agencies, the existence of traditional practices in which banks are at a disadvantage, restrict the area in which banks may compete successfully. National distributors, for example, have found it convenient and economical to deal with financial agencies who likewise have national coverage for their operations and services. It would be unreasonable of course for bankers to expect to be the sole operators in the field of instalment credit. As things stand, there is little doubt that banks in general will experience a volume of instalment credit business which will keep their consumer credit departments busy. And this volume, the signs clearly indicate, will be forthcoming in 1947.

(5) *What are the dangers that lie ahead in 1947?* The expectations for 1947, if realized, will not only provide an extremely promising volume of instalment loan business, but also may create certain hazards. In 1947 there are two situations which may develop and which should be carefully watched. Several of the speakers expressed the warning that the sharper competition for business in 1947 may result in a weakening of standards of credit practice, a liberalization of terms beyond the point of sound economical operations. It was suggested, for example, that instalment loan contracts on automobiles may be for as long as thirty-six months. It was also suggested that lower down payments (as low as 20 percent) may be asked. I am not able to say just how many months a loan contract for the purchase of an automobile may safely be allowed to run, or how large a down payment must be. It seems to me very clear, however, that, if as the result of competition, uneconomic and unsound credit practices are allowed to develop, it can only have bad consequences.

A second danger, an outgrowth in part of the more severe competition which may lie ahead, is an overexpansion of consumer credit. While in some quarters there may be a tendency to emphasize too strongly the importance of consumer credit in accentuating the booms and depressions, it would nevertheless be unwise to be totally indifferent to the general economic consequences of expanding consumer credit. After 1947 there is certain to come 1948 and 1949. It would be unfortunate, indeed, if an inflationary expansion of consumer credit in 1947 should contribute to making things more difficult in the years that follow. If the various speeches at the conference are a valid statement of current thinking in those fields, and I think they are, there is in the making a boom psychology for 1947. Under these circumstances it is easy to disregard caution and to take chances. *I should like to urge upon bankers the desirability of resisting as much as possible the temptations to weaken standards of sound credit practices for the temporary gains of short-run, competitive success.*

Literature displayed at A.B.A.'s National Consumer and Instalment Credit Conference attracted tremendous interest. Small business aids originated by U. S. Dept. of Commerce, chambers of several states (notably New York), and manufacturers of various products; material published by the A.B.A. on consumer credit; and advertising material available to member banks in promoting consumer credit activities were included. Listings of aids to small business were distributed to enable bankers to order direct from the producers, for the purpose of encouraging lending libraries as an aid to veterans and small businessmen in opening or expanding their activities

What Does the *Consumer* Know About Consumer Credit?

WHAT the consumer knows, or thinks he knows, or thinks, or thinks he thinks, about consumer credit is, after economic factors are evaluated, the basis on which consumer credit volume rests. BANKING, through R. L. Polk & Co. (market research division), undertook to determine how much consumer education in instalment lending is needed in connection with promoting banks' activities in the field.

Two hundred families, 100 each in Richmond, Virginia, and Kansas City, Missouri, were interviewed. (Two cities were used for purposes of contrast.) The families ranged in income groups from under $2,000 yearly to over $5,000. In the income groups up to $5,000, the head of the family was usually in the 30 to 50 age classification; over $5,000, the head of the family was (predominantly) over 50. Over 75 percent of the interviewees were women.

Since this is BANKING's pioneer survey in the field of consumer credit (in the field of automobile loans, no information has yet been obtained) naturally, no claims are made that any conclusions obtained can be considered as absolutely incontrovertible. But the results of this survey can point the way to further investigation on this important aspect of instalment lending—the prospective customer's attitude toward and familiarity with consumer credit.

Some interesting figures emerge when the tabulations (shown on this and the following page) are examined. The majority of those interviewed were aware that there are restrictions on the terms of instalment buying and borrowing. In Kansas City, approximately half said their instalment buying had been curtailed because of these restrictions. In Richmond, however, only a negligible proportion stated that they were affected.

The majority interviewed in both cities had at some time purchased on the instalment plan; in Kansas City, nearly half bought homes in this way, but in Richmond, only 18 percent bought homes. Both cities bought furniture on the instalment plan. On consumer goods smaller than houses, most of the financing in both cities was done through the dealer.

On the matter of consumer understanding of instalment rates, the majority interviewed apparently had little understanding of the discount method; those who guessed at the method of its operation considered it approximately the same as a simple interest charge. Guesses on the charge per hundred dollars of unpaid balance in instalment buying ran predominantly between $3 and $10. (See page 70.)

It is interesting to note that those interviewed in Richmond, on the whole, preferred to buy for cash, while in Kansas City, the cash and instalment buyers hovered near the half-and-half mark.

(1) Do you remember that early in the war (1942) the Government passed laws with restrictions on instalment buying?

	Income Group									
	Under $2000		*$2000 to $3000*		*$3000 to $5000*		*Over $5000*		*Average Percentages*	
	Rich.	*K.C.*	*Rich.*	*K.C.*	*Rich.*	*K.C.*	*Rich.*	*K.C.*	*Rich.*	*K.C.*
Yes	80%	50%	55%	90%	47%	97%	75%	86%	64%	81%
No	20	50	45	10	53	3	25	14	36	19

(2) Do you remember any time in the last few years when you had to change your plans for buying something (such as a car, furniture, electrical appliances, clothing) because you couldn't get the instalment plan you wanted?

	Income Group									
	Under $2000		*$2000 to $3000*		*$3000 to $5000*		*Over $5000*		*Average Percentages*	
	Rich.	*K.C.*	*Rich.*	*K.C.*	*Rich.*	*K.C.*	*Rich.*	*K.C.*	*Rich.*	*K.C.*
Yes	—%	38%	—	71%	—	48%	25%	38%	6%	49%
No	100	62	100%	29	100%	52	75	62	94	51

(3) Have you ever purchased anything on instalments?

	Income Group									
	Under $2000		*$2000 to $3000*		*$3000 to $5000*		*Over $5000*		*Average Percentages*	
	Rich.	*K.C.*	*Rich.*	*K.C.*	*Rich.*	*K.C.*	*Rich.*	*K.C.*	*Rich.*	*K.C.*
Yes	100%	81%	63%	85%	14%	73%	75%	50%	63%	72%
No	—	19	37	15	86	27	25	50	37	28

(3A) If "yes" what have you bought?

Income Group

	Under $2000		*$2000 to $3000*		*$3000 to $5000*		*Over $5000*		*Average Percentages*	
	Rich.	*K.C.*	*Rich.*	*K.C.*	*Rich.*	*K.C.*	*Rich.*	*K.C.*	*Rich.*	*K.C.*
Home	—	50%	15%	26%	8%	51%	50%	41%	18%	42%
Other real estate	—	—	8	—	6	7	—	14	3	5
Refrigerator	—	33	2	22	—	32	—	14	0.5	25
Furniture	10%	67	31	52	—	40	25	23	39	46
Clothing	—	50	5	15	—	—	—	—	1	16
Jewelry	—	39	—	15	—	3	—	5	—	15
No answer	—	—	—	4	—	—	—	—	—	1

(3B) For how long a time did the instalments run?

	Less than 6 Months		*6 to 12 Months*		*12 to 18 Months*		*Over 18 Months*		*Several Years*		*No Answer*	
	Rich.	*K.C.*	*Rich.*	*K.C.*	*Rich.*	*K.C.*	*Rich.*	*K.C.*	*Rich.*	*K.C.*	*Rich.*	*K.C.*
Home	—	—	8%	—	—	—	—	11%	92%	85%	—	4%
Other real estate	—	—	—	—	—	—	20%	20	50	80	30%	—
Refrigerator	—	—	100	48%	—	41%	—	—	—	4	—	7
Furniture	—	—	4	43	96%	41	—	4	—	4	—	8
Clothing	100%	20%	—	36	—	30	—	—	—	—	—	14
Jewelry	—	36	—	43	—	14	—	—	—	—	—	7

(3C) Did you handle the loan direct with the—?

	Dealer		*Bank*		*Finance Company*		*Mortgage Company*		*Other Institution*	
	Rich.	*K.C.*	*Rich.*	*K.C.*	*Rich.*	*K.C.*	*Rich.*	*K.C.*	*Rich.*	*K.C.*
Home	—	—	100%	9%	—	4%	—	31%	—	56%
Other real estate	—	—	100	100	—	—	—	—	—	—
Refrigerator	100%	86%	—	—	—	14	—	—	—	—
Furniture	100	74	—	4	—	16	—	2	—	4
Clothing	100	100	—	—	—	—	—	—	—	—
Jewelry	—	100	—	—	—	—	—	—	—	—

(4) When you make your next big purchase, say for a car or refrigerator, will you—?

Income Group

	Under $2000		*$2000 to $3000*		*$3000 to $5000*		*Over $5000*		*Average Percentages*	
	Rich.	*K.C.*	*Rich.*	*K.C.*	*Rich.*	*K.C.*	*Rich.*	*K.C.*	*Rich.*	*K.C.*
Pay cash	100%	28%	98%	35%	100%	52%	75%	68%	93%	46%
Ask for instalments	—	67	2	65	—	32	25	32	7	49
No answer	—	5	—	—	—	16	—	—	—	5

(5) Are you planning now to make some major purchase like a car or refrigerator or fur coat or furniture within six months or a year?

Income Group

	Under $2000		*$2000 to $3000*		*$3000 to $5000*		*Over $5000*		*Average Percentages*	
	Rich.	*K.C.*	*Rich.*	*K.C.*	*Rich.*	*K.C.*	*Rich.*	*K.C.*	*Rich.*	*K.C.*
Yes	80%	44%	56%	48%	56%	49%	25%	32%	54%	43%
No	20	56	44	52	44	51	75	68	46	57

(6) Are you postponing that purchase until you save enough money to pay cash?

Income Group

	Under $2000		*$2000 to $3000*		*$3000 to $5000*		*Over $5000*		*Average Percentages*	
	Rich.	*K.C.*	*Rich.*	*K.C.*	*Rich.*	*K.C.*	*Rich.*	*K.C.*	*Rich.*	*K.C.*
Yes	80%	38%	54%	11%	59%	40%	50%	10%	61%	25%
No	20	62	46	89	41	60	50	90	39	75

(Continued on page 70)

News Exchange

"Free . . . Sound . . . Consumer Credit"

RESTRICTIONS imposed on consumers under Regulation W must be eliminated if the distribution of goods is to be on a fair and equitable basis, C. W. Bailey, president of the American Bankers Association, and president of the First National Bank, Clarksville, Tennessee, told the National Consumer and Instalment Credit Conference of the A.B.A. in St. Louis.

"We recognize that some consumer durable goods including automobiles, refrigerators, washing machines, furniture, etc., are still in scarce supply," Mr. Bailey said. "The only way these goods can be made available to all groups of our citizens is to permit sound credit terms which are within reach of the vast majority of the people."

Mr. Bailey reminded the convention that the A.B.A. at its annual convention had called attention to unwise, unnecessary and expensive wartime controls that add to the consumer cost of the whole nation and among those controls included Regulation W. He stated that the principal relief granted by the Federal Reserve System's action in streamlining of Regulation W was to consumers in the matter of charge accounts.

"Now that all other controls governing the purchase of consumer durable goods have been removed, we feel that the time has come for the complete abandonment of Regulation W," Mr. Bailey said. ". . . A free yet sound flow of consumer credit can be maintained only if bankers and businessmen are free to use their own best judgment, based on their intimate knowledge of the borrower and local conditions."

Adverse Ruling

In a recent ruling, New York State Attorney-General Nathaniel L. Goldstein limited purchase by banks from individuals and unincorporated dealers of obligations to a simple 6 percent interest basis. The limitation does not include paper purchased from incorporated dealers.

Ordinary practice has been to discount such paper at 6 percent, which amounts to slightly under 12 percent simple interest.

The ruling, if strictly interpreted as intended, will put New York banks at a competitive disadvantage with finance companies in the consumer credit field, as the finance companies do not come under the banking law.

The ruling has created concern among New York banks

(CONTINUED ON PAGE 65)

Industry and the banks talk over consumer credit at the National Consumer and Instalment Credit Conference of the American Bankers Association, held at St. Louis, Missouri. *Upper left:* (in the usual order) John P. Gaty, vice-president and general manager, Beech Aircraft Corporation, Wichita, Kansas; J. Gordon Dakins, manager, credit management division, National Retail Dry Goods Association, New York; Robert E. Ginna, chairman of the committee on gas industry statistics of the American Gas Association, and vice-president, Rochester Gas and Electric Company, Rochester, New York; Lee Moran, executive vice-president, National Automobile Dealers Association, Washington, D. C., and Carl M. Flora, chairman of the Committee on Consumer Credit, A.B.A. *Lower right:* John L. McCaffrey, president, International Harvester Company, Chicago, Illinois, addresses the conference. *Lower left:* C. W. Bailey, president, A.B.A., and Carl M. Flora are ready to open the second general session of the conference

The Trend in Bank Pension Plans

E. E. MOUNTJOY

The author is deputy manager of the American Bankers Association and secretary of the National Bank Division. He is in charge of the Association's retirement pension plan studies.

MULTIPLE-BANK retirement pension plans, also those created for single institutions, have shown steady and substantial growth. This appears to be indicative of a widespread purpose to combine in a single project the means of providing employees with a measure of compensation after retirement from active service, and of spreading the cost, in approved accounting fashion, over the years of employment. The growth is evidenced not only by the number of plans and the aggregate of individual participations in them, but also by the broader purposes they are being made to serve and the greater definiteness written into them by reason of the wider range of methods usable for attainment of the desired ends.

Most plans conform to the orthodox patterns generally followed, and, though they differ sufficiently to give coverage to the many special situations encountered, they represent no greater variety of types than usually is found in other single segments of business and industry. Their development confirms the earlier estimates of the probable acceptance of their underlying principle, and attests the value of thus fashioning an instrumentality capable of supplementing whatever old-age security may be created otherwise. A brief enumeration of the several types of plans, without much explanation of organization or operating methods, may be interesting.

With the observation that a number of successful plans were in operation in banking prior to 1935, it may be said that it was not until about that time that over a wide area a really minute appraisement of their possibilities began to seem important. Earlier experiences had demonstrated their practicability, but the precise development necessary to establish them as factors of consequence in personnel relations had not been achieved. From that point, though, the advancement was more marked, stimulated considerably by enactment of the Federal Social Security law which, it will be remembered, in its early years, was held to be inapplicable to banks within the Federal Reserve System.

Much of the subsequent development in bank plans has its roots in the thinking and the accomplishments of that period. One of the accepted methods, and the one used most frequently to create retirement pensions, was employment of the group annuity system. It was an insured plan outlined in a master contract written by an insurance company. It was the most simple form complying with the requirements of law, and it provided nothing but pensions purchased in the form of single premium deferred annuities. Another type of plan in common use was the pension trust. It was uninsured and permitted broader benefits, including life insurance if desired, and was more flexible.

These two different plans served admirably the needs of the larger organizations, but insurance companies writing group plans required at least 50 individual participants, and pension trusts were not established usually for small organizations. Thus, because these plans were not keyed wholly satisfactorily to the service of units of smaller sizes, their usefulness was restricted considerably in that area. This deficiency was corrected later but, in the meantime, banking, spurred by a recognition of the need, sought a method of providing something of the same character for its smaller members. Some means of linking separate independent units together loomed as a necessity, and a measure of credit for the successful blazing of that trail is due to a number of state bankers associations.

State Association Plans

As early as 1935 some of them began making studies and exploring possibilities, and late in that year the Oregon Bankers Association presented a plan. It was an insured plan offering the benefits of a group system to banks large and small. It concentrated all its energy on the building of annuities payable for life, and was available to all members of that association. The benefits it provided were made dependent primarily on employment after enrolment in the plan, but purchase of benefits for prior services was made optional. Normal retirement ages were 60 years for women and 65 years for men. The plan was discounted for deaths in service and, therefore, there were no funds to the banks, though a deceased employee's contributions, with or without interest, were payable to his beneficiary. Employees contributed a portion of the cost and, upon withdrawal from service prior to normal retirement age, had the choice of receiving the cash equivalent of their payments with interest, or paid-up annuities deferred to normal retirement time.

The option to accept reduced payments, with lesser amounts to go to a designated beneficiary after death of the pensioner, was included. Provision was made, also, for some adjustments in the plan if the participating banks should come under the terms of the social security law. It may be said, though, that such adjustments rarely were made.

Under the stimulus of one success, a number of other state bankers associations followed in rather close succession with their plans. The earlier ones were insured group systems and, generally, they were much the same as the Oregon plan. They differed in some details, though, such as the retirement age for women, set in some instances at 65 years, and the methods of dividing the costs between employers and employees. All of the plans, however, achieved their purpose of providing retirement pensions for life after withdrawal from active service.

The other state bankers organizations to enter the field were the New Jersey Bankers Association early in 1937, followed in the same year by the Illinois Bankers Association. The Minnesota and Washington organizations offered their plans in 1938, and the Michigan association in 1939. The later and very recent ones are the Virginia association and the Savings Banks Association of Connecticut in 1946, and the Vermont, the Maine and the Kentucky associations in 1947. Features of the Kentucky plan are unavailable.

(CONTINUED ON PAGE 78)

Let's Talk About Savings

THIS country banker feels confident that now is the time for banks—all commercial banks, and particularly country banks—to follow the example of the savings banks and pay more attention to the systematic saver.

During recent years of large deposit totals, lowered interest rates, over-spending on the part of governments and the public, not enough attention was paid to this important citizen who is to be found in every community.

Surrounded by unusual temptations toward extravagance he has continued to be an apostle of thrift. His record has been fine. He didn't hoard—just saved systematically. He took care of what he earned, and encouraged others to do the same. Now he has a backlog which gives assurance of financial security. That is well worth while.

Now, all bankers know full well the importance of thrift. It is not just a matter of larger deposits resulting. There is something akin to community pride in observing this evidence of careful spending and systematic saving. It is a bulwark of strength which cannot be obtained by any other route. It is rather gratifying to serve as the custodian or depositary through the confidential relationship of banking.

THERE was never a period when it was more important to do everything possible to encourage thrift. The dollars saved now should have a much greater purchasing power in the years ahead. There are many evidences of a trend towards a buyers' market when the one with a dollar gets more in exchange and has a broader choice of goods to purchase from.

So we must put out the welcome sign to encourage visits from the thrift depositor. It is an old-fashioned habit that is still in style.

The Advertising Department of the American Bankers Association made a survey of commercial bank advertising plans. Well, here is what was found out:

Many banks are lined up for thrift and savings publicity from here out.

Some expressed the thought that the most important job ahead of all banks is the promotion of thrift and savings.

Some went on record as thinking this kind of effort the finest stabilizer of economic conditions that banks could join in encouraging.

Selected at random, some of the suggested ideas included: "Teach thrift," "Save until it hurts," "Remember 1920–21—Also the 1930s," "Save and pay off."

One might be charged with selfish reasons in suggesting that banks do the saver a good turn by encouraging his foresight. Most important, I think, is the missionary work we would thus do for old-fashioned thrift. This, after all, is one of the first principles of our profession. Is it not also one of our first responsibilities?

Revival of school savings since the war is one signpost of the banks' reawakening interest in thrift. It is estimated that about 500 of these systems are now operating, many through commercial banks. The Association's Savings Division is completing a survey of this service to provide statistical and other data useful to banks in furthering their own programs.

Thrift is an old story. But it's a story that must be retold to each generation, for the benefit not only of the youngsters who must be taught, but of the oldsters who need to be reminded of its unspectacular, dependable benefits. At this time when the nation is showing an unmistakable interest in economy, the banks—including the old-fashioned country banks—have an opportunity for aggressive, intelligent leadership. They have a responsibility as well.

We need savings and savers. Let's do some active recruiting!

President

American Bankers Association

The Welcome Sign for Savers

The survey of commercial banks' advertising plans for 1947, conducted by the Advertising Department of the American Bankers Association, revealed a marked interest in emphasizing thrift. To implement their program the Department has prepared a series of newspaper ads with "Save" as the copy theme. Here are three of them.

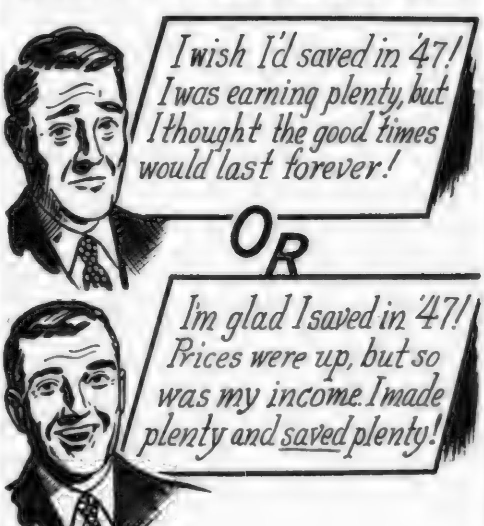
YOU'LL NEVER BE SORRY YOU SAVED

Argue as you will about high prices . . . inflation . . . good times being here forever . . . this we know . . . *You'll Never Be Sorry You Saved.* You'll forget the sacrifices you made . . . it won't matter whether good times stay or not . . . you'll have money in the bank, and that's *Always* something to be thankful for!

1-SA-7

SAVE AT THIS BANK

IN 1957 WILL YOU SAY...



1-SA-6

SAVE AT THIS BANK

Millions of Americans are saving billions of dollars in their bank accounts . . . for old age . . . for things they want . . . for emergencies . . . for lean years that may lie ahead. Save now, while you are earning more. Grasp this opportunity to get ahead financially. SAVE . . . SAVE . . . SAVE . . .

1-SA-8

SAVE AT THIS BANK

CORSON-DEVANEY

LAWRENCE STAFFORD

Budgets Are Very Tricky

WASHINGTON

ENOUGH has been seen of the operations of the new Congress to type it. It will be a cautious Congress. Its program of financial and economic legislation will not only be limited to a few broad objectives, but each proposal will be considered with a care which major proposals have not received here, by and large, in more than a decade.

Thus the question of whether the Reconstruction Finance Corporation shall be continued may not be decided until close to the June 30, 1947, statutory limit on that agency's life. In the process of making up its mind whether to keep the RFC and how much power to give it, Congress plans to consider the relationship of RFC's activities to the whole broad problem of credit management, and may even consider also the big subject of the why and how of all government lending agencies.

This is more or less typical of the approach of the new Congress.

Despite the seeming contradictions arising from the statements of individual members of Congress, however prominent, the budget also is being considered with utmost care.

Four Budget "Musts"

Leaders in both houses have from the start made up their minds that first they would balance the budget and set aside something for debt reduction. Second, they have been determined to reduce individual income tax rates. Third, they have been convinced that it would be possible to reduce taxes substantially within the framework of the budget which they hoped to work out. Fourth, they have been determined that so far as possible the tax cut should be non-discriminatory: i.e., that because a person is paying 85 percent of his net income already in federal taxes, he should not be cut less percentagewise than the person paying only a fifth of his income.

These are expected to remain the objectives of the present congressional leadership until the last appropriation bill has been drafted and the finishing touches have been put on the revenue bill. Leaders will try to hold expenses to four or five billions below the $37.5 billion figure proposed by President Truman. They will resist so far as they can a drive for a discriminatory tax reduction, yielding only in part their "across the board" objective.

Due to the fact that Congress had, so to speak, only about one ball in the air during its first several weeks—and that ball was the budget and taxes—it is surprising that more outstanding individuals did not try at one time or another to swipe the ball and run to goal with it. The spectators were all eyes.

The Minority Complex

"Our job," explained acidly and privately one of the topmost leaders, "is to get across to our Republican chairmen that they are not in the minority any more and that people pay some attention to what they now say."

Those who are thinking with some (political) relish of the slowness of the Congress to move are overlooking both the braking force of the reorganization program and the conscious disposition of the leaders to move carefully. They have shown that they will move slowly on all major questions such as on taxes, the budget, RFC continuance, labor, a farm program, emergency powers or social security amendments.

Where the reorganization operates with peculiar force is on the budget. The reorganization law provided that Congress should set up a "legislative budget." Members of the appropriations (spending) committees were ordered jointly with members of the finance and ways and means (taxing) committees to determine an outside limit on government expenditures, and to arrange for adjusting these to revenues.

It was provided in the law that these four committees, through smaller working subcommittees thereof, should set

this legislative budget by February 15, and that Congress thereafter should pass a resolution setting this ceiling on expenditures. The appropriating committees were supposed to treat this budget expenditure ceiling as a figurative bolt of cloth, and, in appropriating money for various departments and activities, to divide up the cloth so that no more than this total bolt was used.

Theory and Practice

The theory of setting the expenditure ceiling on February 15 was that the appropriations committees, which ordinarily do not complete their work until near the end of the fiscal year on June 30, would know in advance how much money they had to pass around to the various government agencies. This is good theory but poor practice.

Ordinarily four to five months are consumed by the appropriations committees in determining even tentatively what expenditures should and should not be allowed. With the reorganization law the organization of the Congress got started so slowly that it was impractical to set a ceiling on expenditures in six weeks. Spending committees hardly got a start, by this deadline, in sifting through the pounds and pounds of documents "justifying" the Administration's requests for appropriations. When the February 15 deadline was reached the joint budget committee selected an arbitrary figure of $6 billion, which had hardly been done before some of the majority leaders began backing away from this recommendation.

Even if this were a year in which the same committee and committee staff personnel carried over, the February 15 date seems entirely too soon for the setting of a seasoned expenditure ceiling. That date represents pure theory. A more realistic approach would be to have the appropriations committees, as they now do, go over all the requests for expenditure, item by item, and hold hearings of the interested officials.

After gathering all the "evidence" to support these supply requests and also bearing upon possible curtailments, the appropriations committees then should make up a tentative slate of appropriations, showing what they think should be spent and on what basis. Then these should be gone over by the joint budget committee and an expenditure ceiling set. Once that figure were set in the light of maximum and minimum possibilities, then the spending committees could divide up the money to suit. A date of June 1 for an expenditures ceiling would be more practical.

In any event the careful analysis of spending requests for a $37 billion government is difficult. There is so much detail that it is almost impossible for members of appropriations committees to have the personal knowledge which is necessary for making a generally accurate assessment of possibilities, and about all they can guess as to the possibilities for using the pruning knife is to know whether to believe the bureaucrat or not when he says what will happen if the money sought is not appropriated.

Over and above the sheer forbidding magnitude of the job of shifting expenditure requests is the fact that the budget is tricky. For the last decade and a half, at least, the classifications of the budget have been continually changed, and the changing classifications have reflected the Chief Executive's predilections as to what was the best face to show at any given time. It is as if a corporation, seeking to hold down the depredations of the tax collector, was able freely to reorder its accounting every year to classify items solely to provide the utmost in tax avoidance, and could get away with it.

Thus the President now includes in some cases provision for proposed legislation in his budget estimates for 1948, and gives a thumbnail sketch of revenues and expenditures as follows:

Expenditures (in millions)	$37,528
Receipts	37,730
Excess of receipts	202

While the budget is tricky, it does not conceal the true picture if one has a sufficiently continuous background of studying it and can take the time carefully to trace and cross-check all items. He can run all these things down. However, the newspaper headlines usually are pegged upon the classifications and figures in the front of the budget and thus the President got the headlines for offering the first balanced budget in 17 years.

Here is another instance of the trickiness of the budget: Mr. Truman told Congress (but did not include in his tables) that if certain postal rates could be increased and the wartime excise taxes were continued, the picture would be:

Expenditures (in billions)	$37.1
Receipts	38.9
Excess of receipts	1.8

Since the whole tenor of the President's message was that taxes should not be reduced because a start should be made in balancing the budget, these figures carried the implication that if Congress enacted these postal increases and retained the wartime excesses, the federal debt would be decreased by $1.8 billion.

However, in the "back of the book" it is disclosed that the outstanding federal debt is estimated as of June 30, 1947, compared with its low point of December 20, 1946 (from the daily Treasury statement), as follows:

December 20, 1946 (billions)	$258.6
June 30, 1947	260.4
Increase in the debt	1.8

Thus if Congress were to enact the program recommended by the President it would not make a start toward reducing the debt, but would merely bring it down to its previous low point, which was reached at the end of the program of reducing the Treasury war loan balances to retire bank-held obligations.

What has convinced most political and journalistic observers that the President's budget could not be cut materially, certainly not down to the $32 billion the congressional

CONTINUED ON PAGE 73)

"I'm afraid we'll have to simplify these forms again. Too many people are beginning to understand them."

Small Business in the Returning

Small Business Stumbling Blocks: Falling Wholesale Prices—Inadequate Records—

Mr. Foulke, *who contributes to* Banking *from time to time, has been associated with Dun & Bradstreet, Inc., for the past 16 years. He is the author of a number of volumes on the financial analysis of business enterprises, extension of bank credit and related subjects.*

A column in a recent number of a prominent daily financial paper carried the interesting lead-off forecast, "The death rate among businesses this year will climb like a kite in a spanking spring breeze." The war honeymoon of labor and management, of selling the entire output of a plant to one ultimate buyer, of manufacturing on a cost-plus-fixed-fee-basis, of steady capacity operations, of a seller's market where OPA was the only limit on price, is over. Competition, with its concomitant law of supply and demand, with its cutting of prices, with the insistent urge of industry to reduce manufacturing costs and of trade to reduce distributing costs, is home again and sitting comfortably in the living room before the fireplace.

There is no doubt that failures will go up as prices come down—and both wholesale and retail prices are on the way down—but it is hardly likely that the number of commercial and industrial financial embarrassments in 1947 will greatly exceed, say, three times the number for 1946. That would, numerically, be a relatively modest increase.

What are the principal stumbling blocks in the way of the success of small business enterprises? The basic, underlying reason is "poor management" in the broadest meaning of that term, including lack of conscientiousness on the part of the owner or owners about working hard at long hours. The ups and downs of business conditions, while they affect the profits of business enterprises, rarely, if ever, bring financial embarrassment to the enterprise with keen, hard-working management; "conditions" are the excuses of slip-shod management, not the basic reason for failures.

If "poor management" is the underlying cause for the financial embarrassments of business concerns, can that primary basic cause be broken down into secondary causes? It seems as though there are at least six such secondary causes.

1. *Falling wholesale prices.*—As wholesale prices go up, failures tend to go down, and vice versa. The reason is obvious. As prices increase, the managements of concerns on the brink of insolvency may "increase their selling prices more than they had expected when the merchandise was purchased, giving greater gross profits and a new lease on life. Conversely, when prices fall as they have in so many commodities in the past three months, the managements of many concerns must cut their selling prices, in order to make sales in a competitive market. The result is lower gross profits, and, in the case of marginal concerns, operating losses which produce financial difficulties.

2. *Lack of adequate records.*—Some reasonable proportion of the managements of smaller business concerns keep fairly adequate and accurate records. A substantial portion keep no records and so have little or no basis to determine adequate mark-ups and other vital data. There is no substitute for some minimum of essential records, no matter how small a concern is.

3. *Competition.*—As of July 1, 1946, there were 2,146,000 active commercial and industrial business enterprises in existence, and as of January 1, 1947, 2,280,000. This number as of the first of this year, represents a net increase of 293,000 concerns during the preceding 12 months, the greatest expansion in any single year in our history. In certain lines of activity such as retail radio shops, retail electrical appliance shops, retail photographic equipment stores, clothing stores, and cleaning and dyeing establishments, the increase has been terrific. At the same time many stores in established fields

Table I gives a picture of the number of business failures, the number of active commercial and industrial business concerns in the country, and an index number which is based on failures per 10,000 active business concerns, from 1939 through 1946. This figure is taken from the July number of the *Reference Book* published by Dun & Bradstreet, Inc., for each of the years shown.

Since 1900, business failures have averaged around 14,000 per year. In seven of the eight years from 1939 through 1946, failures have been below this average, and in the last four of these six years, very materially below. Only in 1939 when business embarrassments reached 14,768 did they exceed this long term average, and then only slightly. Of considerably more importance is the fact that embarrassments in 1945 dropped to an all time record low of 810 failures. In both 1944 and 1946 at 1,222 and 1,130 respectively, failures were only slightly above the record low point of 1945.

The index of failures emphasizes even more than the actual number, how business embarrassments have decreased, particularly in the more recent years. This index, as shown in the last column in Table I, fell steadily from 69.6 in 1939 to 4.2 in 1945, a shrinkage of 94.0 percent, and then increased nominally to 5.1 in 1946.

TABLE I—Number of Failures, Number of Active Commercial and Industrial Concerns, as of July 1, and Index of Failures, 1939–1946

	Number of Failures	*Number of Business Concerns*	*Index of Failures*
1939	14,768	2,116,000	69.6
1940	13,619	2,156,000	63.0
1941	11,848	2,171,000	54.4
1942	9,405	2,152,000	44.6
1943	3,221	2,023,000	16.4
1944	1,222	1,855,000	6.5
1945	810	1,909,000	4.2
1946	1,130	2,146,000	5.1

Competitive World

ROY A. FOULKE

Competition—Inadequate Capital—Heavy Fixed Assets—Inadequate Sales

have broadened their merchandise with competitive lines. The marginal concerns with the poorest managements will be the first to feel the results of this growing competition.

4. *Inadequate capital.*—Since the end of World War II, small enterprises seem to have been organized with somewhat more capital than during the days of the Great Depression. A country retail store which 10 years ago might have been started with a moderate investment of $1,000, today might open its doors with an initial capital of $3,000. Many GI's saved money during their years of military and naval service; others have obtained GI loans to supplement their savings. With substantially higher prices, higher wages, greater rent and supplementary expenses, more capital is certainly needed. But no matter how much money is needed to organize a new business enterprise, there are always marginal concerns which are started with little or no reserve, and any unexpected development is a hard blow to their solvency.

5. *Heavy fixed assets.*—A small manufacturing business requires machinery. A small delicatessen store requires a refrigerator, a drug store a soda fountain, a variety store display counters. If the capital invested in a new business is moderate, the proportion of that capital which may be used to acquire fixed assets should be very moderate. Any over-investment in fixed assets means that too little free cash remains as working capital, and the payment of invoices will drag.

6. *Inadequate sales.*—Sales are the life-blood of every business enterprise. But the rosy glasses of the young businessman often result in the purchase of an excessive inventory. If anticipated sales fail to materialize, the next step is to cut prices in an attempt to obtain the funds which are necessary to carry the expenses. The initial error was in the over-estimation of the possibility of business, not exactly an unusual feature of the perennially optimistic American.

THESE six features, if understood and taken to heart seriously by the young businessman, will help to keep him on the beam during those first three years which are so critical in the life of every new enterprise. After that, sailing is a trifle easier, as the concern has earned a place in American business life, and the management undoubtedly has "learned by experience" how to anticipate and avoid the problems which tend to make serious headaches.

TABLE II—Number and Percent of Yearly Failures by three Liability Groups, 1939–1946

	Number of Failures	*Liabilities under $5,000*		*Liabilities $5,000 to $25,000*		*Liabilities Above $25,000*	
		Number	*Percent*	*Number*	*Percent*	*Number*	*Percent*
1939	14,768	6,522	44.2	6,873	46.5	1,373	9.3
1940	13,619	6,891	50.6	5,442	40.0	1,286	9.4
1941	11,848	6,754	57.0	4,116	34.7	978	8.3
1942	9,405	5,097	54.2	3,525	37.5	783	8.3
1943	3,221	1,614	50.1	1,272	39.5	335	10.4
1944	1,222	452	37.0	549	45.0	221	18.0
1945	810	270	33.3	343	42.4	197	24.3
1946	1,130	263	23.3	489	43.3	378	33.4

IN Table II, failures have been divided into three groups for the same eight-year period, the number and percentage of failures each year with liabilities under $5,000, with liabilities between $5,000 and $25,000, and with liabilities above $25,000. From 1940 through 1943, the number of failures with liabilities under $5,000 represented more than one-half of the yearly embarrassments, reaching a high of 57.0 percent in 1941. In 1944 and continuing through 1946 the number of failures with liabilities between $5,000 and $25,000 represented the largest of the three groups, ranging from 42.4 percent in 1945 to 45.0 percent in 1944. In each of the last five years, the percentage of failures with liabilities in excess of $25,000 has headed steadily upward from 8.3 percent in 1942 to 33.4 percent in 1946.

Notwithstanding the very material expansion in the percentage of the larger business embarrassments in these more recent years, the fact remains that the two smaller groups together, that is, the number of failures with liabilities of $25,000 or less, has represented at least 66.6 percent of our business troubles each year. In the more normal conditions of a competitive business world which is now returning so rapidly, hard work and the sincere desire to succeed will play a strong part in the success of small ventures.

The number and the percentage of small failures will certainly climb in 1947 in this environment, even though they might not quite "climb like a kite in a spanking spring breeze," as predicted in one financial paper recently.

Bankers View Reserve Policy

E. SHERMAN ADAMS

The first article in this series, which appeared in the February issue of BANKING, *dealt with the Federal Reserve Board's direct controls over various classes of bank loans. A subsequent article will cover aspects of Treasury financing policies that are of special concern to bankers.*

In preparing these articles for BANKING, *the author is obtaining expressions of opinion from prominent bankers throughout the country.* MR. ADAMS *is assistant vice-president, Central Hanover Bank and Trust Company, New York.*

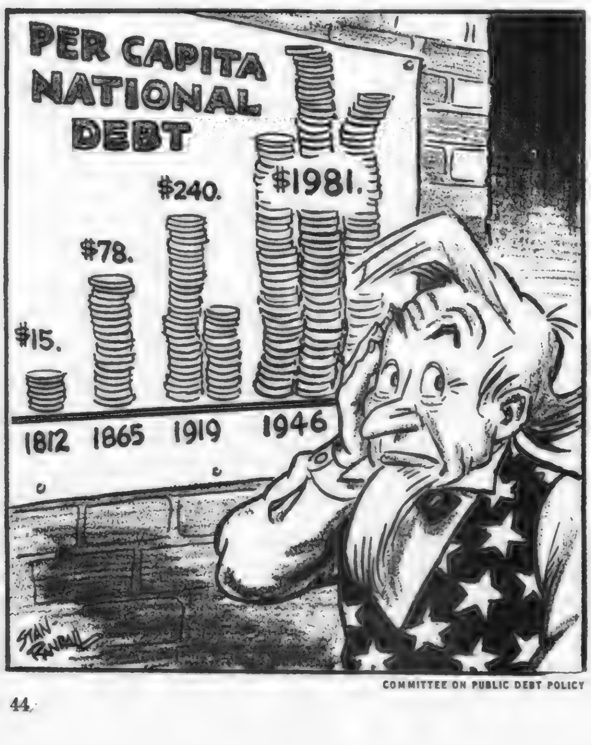
WHAT should be the powers and the policies of the Board of Governors of the Federal Reserve System with respect to the general level of interest rates, the pattern of interest rates and the volume of bank credit?

That is not a simple question. In fact, the problems of credit management today appear to be more complicated, and at the same time more important, than perhaps ever before.

To ascertain what banking leaders are thinking about these vital issues, the writer has solicited the views and suggestions of outstanding bankers and bank economists in all sections of the United States. The results are summarized below.

It may be well first to list some of the specific problems involved: Is monetary management necessary? Is easy money generally beneficial? Are the Reserve Board's present policies desirable? What are the alternatives and what might they accomplish? How crucial a factor is the cost of the public debt? Should the Reserve Board have additional powers over reserve requirements or over bank investment policies?

It's *Your* Headache, Too!



COMMITTEE ON PUBLIC DEBT POLICY

Controls over bank credit, of course, are not new. They have existed in various forms and degrees since the establishment of the Federal Reserve System in 1913. They were deliberately adopted because the consequences of non-control had been so obviously unsatisfactory.

Tools of Credit Management

The chief instruments of Federal Reserve credit policy, aside from the direct regulation of certain types of bank lending (discussed in the February issue of BANKING), are changes in member bank reserve requirements and open market operations, which consist mainly of purchases and sales of government securities by the Reserve banks. Purchases of securities by these institutions create additional member bank reserve balances, which permit the banking system to expand its loans and investments, thereby increasing the total volume of bank deposits. Sales of securities by the Reserve banks reduce member bank reserves and tend to cause commercial banks to contract their loans or their investments, thereby reducing bank deposits. In addition to influencing the total quantity of bank deposits in this manner, these operations naturally have important effects upon the market yields of outstanding government securities and hence upon other interest rates.

The economic consequences of these measures are very difficult to evaluate. Some bankers and economists regard these methods as being utterly ineffective as a means of contributing toward economic stability and believe that in the past they have often done more harm than good. The relationship between the volume of bank credit and the movement of commodity prices is by no means automatic, to say the least, and loans to business, agriculture and consumers are not at all closely responsive to changes in interest rates. Now that commercial banks hold huge amounts of short-term securities with which they can easily adjust their reserve positions, the connection, if any, between Federal Reserve open market operations and bank lending policies is even more remote than formerly. In general, nevertheless, most of the bankers who contributed to the informal symposium for BANKING consider these so-called "quantitative" controls as desirable instruments of credit management.

But entirely apart from the question of their desirability, the replies received reflect the conviction that controls of this type have today become inescapable. For one thing, they were absolutely essential to the financing of the war effort. Still more basic is the solid fact that now, largely as a result of the war, the Federal Reserve System holds more than $23 billion of government securities, an amount far in excess of the total volume of reserve balances of all member banks. As long as the Federal Reserve holds vast quantities of government obligations, the management of its portfolio is bound to constitute money management. There can be no such thing, therefore, as a "free" money market reflecting "natural" supply and demand factors; interest rates literally must be managed rates.

(CONTINUED ON PAGE 74)

The Country Banker

Dusk descends on the Second National's barbecue at Cuero, Texas

A City Bank's Farm Program

JOHN J. McCANN

The author is on the staff of BANKING *and maintains his headquarters in Chicago.*

THE BLIGHT of erosion in Texas has completely destroyed more than 11,000,000 acres of land—the equivalent of wiping off the agricultural map 22 average size counties of one of America's greatest food producing states. This naked earth, wrinkled with deep cavernous gullies, lies like an enormous whitened skeleton over vast plains which were once fertile and verdant, and gradually casts a lengthening shadow over other areas year after year.

This is the same stark evidence of the ruinous consequences of bleeding the soil and wasting its substance that has awakened crusades for soil conservation in every affected area of the country. In Texas, it has set one institution—Houston's Second National Bank—on a unique mission with an extraordinary program.

It is a unique mission for a metropolitan commercial bank in a highly industrialized center to concern itself with the fortunes of agriculture. But the answer comes quickly: agriculture is still basic in the economy of the state. Its farm marketings, according to the 1945 Census of Agriculture, rank among the few states topping the billion dollar mark. Unless corrective measures are adopted through conservation, soil-building and better farming, the bank foresees the inevitable result of the inroads of blighted land, which in 25 more years would easily exhaust the remaining rich top soil and hang up every hoe in Texas. Of immediate concern, however, is the unnecessary loss of farm income, the decreasing yield per acre which wastes an untold volume of by-products and raw materials essential to the diet of growing native industries, not to mention the calories and vitamins lost to the national larder.

The program is extraordinary in its conception, size, scope, cost—but what's more important, it is extraordinary in the results achieved. Its benefits have been felt in every valley of the Lone Star State, and now reach beyond the state's borders. It has won the support of farmers and ranchers, local businessmen and country bankers, and justifies an expenditure of some $80,000 annually.

The Second National Bank, far removed from direct farm contact, predicated its program on one of the fundamental tenets of manufacturing and industry: the setting up of reserves for depreciation of machinery and plant. Its simple gospel draws the analogy between the farm and industry and the common problem of depreciation and depletion; it demonstrates the magic that results from good land husbandry, and shows the farmer his distinct advantage over other industries in being able to replace and maintain productivity of his soil, not at an expense but at a dollar profit to himself.

The Second National's agricultural program was launched on July 7, 1945, by veteran railroadman and banker C. M. (Clarence) Malone, vice-chairman of the bank's board—a boyhood farmer from Hunter, near San Marcos. The new department was placed under the management of big (285 pound), personable, jovial O. Dooley Dawson from Crockett, ex-A. & M. tackle, ex-cotton picking champion of Houston County, and former member of the United States Soil Conservation Service for 11 years. In Texas, they'll tell you that

O. Dooley Dawson talks to the Second National's guests

Dawson owns an outsized model of Superman's cape; he's leaning on a fence rail counseling a farmer; he's addressing a luncheon meeting; he's touring an experimental station; he's "on the air"; he's back at the bank; he's everywhere at once, apparently, and selling soil conservation all the time.

The bank's program basically revolves around a series of community meetings, each cosponsored by the local banks, chamber of commerce, farm groups and small businessmen. The first meeting, a barbecue at Huntsville, in July 1945, drew an attendance of 225. Some 86 similar meetings later at Schulenburg, Texas, on October 17, 1946, the audience flocked 2,500 strong. Big attendance has not been the primary goal, but coverage is. The bank puts on its show with equal zeal for a handful of Rotary Club members around a luncheon table or for the thousands who gather around a barbecue pit. In total, the meetings—big and small—have rolled up a register of more than 20,000 names, and still the program has reached thousands more by radio, direct mail and personal contact.

The meetings are organized by the Second National only upon the invitation of a local bank, and its calendar for the past year has been as tightly packed as a plumber's call pad during a flood. The outdoor sessions are usually staged in the local park, fair grounds, picnic area, or even in some local farmyard. It's a gala day no matter where the site may be, starting at dawn with a crew hooking up public address systems, laying bunting and plastering the town and its byways with directional signs; then vans of succulent beef sides and soda pop for the barbecue; a contingent of cooks, stokers and waterboys, and they're ready to welcome the first arrivals, who come by car, carriage or horseback.

Dooley Dawson, representing the host bank, acts as keynote speaker and all 'round M.C. Usually the agenda will include an expert on hybrid corn—one of Texas' sorest needs—or there may be an authority on cotton, cattle or cucumbers, depending upon the basic cash crops or interests of the area. The program of feature talks is broken up during the day with a series of interviews by local county agents with area farmers who have adopted soil conservation practices and can tell about the effect on crop yields and profits. This, they say, is far more impressive to the average audience than any scholarly dissertation on soil use, because the farmer interviewed is a nearby neighbor and the truth of what he says is evident in the condition of his land and the volume of his marketings.

At all meetings, the film "This is Your Land"—produced by Ethyl Corporation—is shown. It is a fine illustrated lecture on soil conservation.

One of the biggest values of these meetings is, of course, the contact opportunities it provides for local businessmen, bankers and their neighbors from the farm. This getting together in serious session and relaxation over the barbecue pit cements a common bond and serves as a starting point for collective community action. To demonstrate further that so-called big business has a vital interest in the welfare of local agriculture, the bank includes in its entourage a group of 50 or more railroad executives, and representatives of such firms as United States Steel, International Harvester, Borden Milk Company, seed firms, associations and others. All of these guests are formally introduced and some are called upon to speak, but their main function is to meet and mix with the local folks, learn their problems, and do something about them, if possible.

One of the main objectives of each meeting is to encourage the establishment of test plots in the immediate area, which the local farmers are more likely to follow and study than similar plots at an experiment station. The experience gained in Lavaca County some time back is suggested as an outstanding example of what can be accomplished. The farmers of that county were desperate—willing to do anything to save their hard-hit farms. G. C. King, the county agent, had little difficulty persuading them to use clover and phosphate to reenrich their soil. The bank illustrates the results with a mimeographed tabulation which is passed around at all meetings. It shows, for example, the case of D. Ammerman of Moulton whose five-year per-acre cotton average up to 1940 was only 68 pounds per acre. By fertilizing with phosphate and sowing a winter cover crop of clover to aerate the soil, his next five-year yield was boosted to 188 pounds per acre—nearly a 200 percent increase on totally exhausted land.

The bank's program is not a one-time shot-in-the-arm proposition. All guests are requested to fill out a form card, which starts the ball rolling back at the bank's Houston headquarters. Within a week or so after the meeting, each guest receives a personal letter from the bank, giving him information specifically affecting his particular community. If dairying and cattle raising are best for his area, the letter tells him all about getting started on that project; if it is cotton, corn or other crops, the information is also pinpointed. In general, the bank encourages pasture improvement, use of fertilizer, terracing and planting of proper grasses. It preaches diversification.

The bank encourages work with the 4H Clubs and Future Farmers of America, and it makes a special effort to reach vocational teachers, superintendents of schools, county judges, county agents, soil conservation supervisors, AAA staff members, and all governmental agency representatives,

and have them take an active part in the meetings, and join in the cooperative action locally.

At the request of the local banker, the Second National sponsors a free subscription to a popular farm magazine—the *Acco Press*—for all names submitted. The average runs between 50 and 100 names in each community covered by one of the bank's shows.

Still, behind all this effort in behalf of agriculture, the Second National Bank does not make farm loans; that's the job of the local banker, it says. If a farmer comes in from the country seeking a loan at the Second National, his case is studied and referred back to the local country bank with recommendations. If the proposition is sound, the loan is invariably made locally.

Aside from publicity in the local press, and word-of-mouth goodwill, the bank shys away from all paid advertising in connection with this program. Reporters invited to the meetings do an effective job of telling the story to the public, for one reason, and the bank insists that its agricultural efforts should not be tainted with paid-for publicity.

What is the net effect of this program? In figures and facts on production, it is too early to say, but a tally is now being made for an early release. There is other testimony, however, which supports its apparent worth: C. B. Spencer, agricultural director of the Texas Cottonseed Crushers' Association, tells us: "The Second National Bank has awakened Texas to the seriousness of our plight. It has brought farm, agency and business groups together, and has helped them work out plans for increasing per-acre yields and profits. It has convinced local bankers that it is good business to finance farmers adequately for soil conservation work on their own farms. Businessmen have also been financed to stock legume seed, fertilizer and conservation equipment in needed quantity for sale to farmers when needed."

And country bankers are equally enthusiastic. Tom Ball, active vice-president of the First National Bank at Huntsville says, "Several experimental plantings of kudzu have been made since our meeting and the results are favorable. This will, beyond a doubt, give us a legume hay crop and a temporary pasture crop, which we need." V. S. Marett, president of the Gonzales (Texas) State Bank says, "Anywhere Mr. Dawson visits, much good comes out of his inspiring talks and visits and he leaves in the community a determination to do a better job in all phases of agriculture. His visits have so inspired our own bank and our own community; the value of the Second National's program should not be measured quickly for it is a job whose full effects will be felt over the years to come."

Sitting behind his desk in Houston, Clarence Malone is hatching up other ideas and programs that will follow up this direct soil conservation effort. He says something should be done about rehabilitating the farm home, and particularly farm home life. He will visualize for you other campaigns designed for the farm housewife particularly—campaigns that will show her how to pretty up the living room, tell her about sewing and needle work, canning, hobbies, pin-money making opportunities. The determination you read in his eyes says emphatically that his bank will help make Texas farmers the richest, happiest, most contented in the whole U. S.

Results

There were 2,500 persons present at the October 17 meeting in Schulenburg (mentioned in the article). Shortly after this meeting word was received that 468 farms had been signed up to cooperate in the movement. Meanwhile, soil conservation terraces extending a total of 1,300 miles have been completed in the area. Any inquiries regarding loans for equipment and other expenses arising from the program were referred back to the local banks.

What the chefs turn out constitutes one of the main attractions

An Ohio Bank's Work With Farmers

Here is an account of a country bank's "outside" farm program, reported to the Agricultural Commission of the American Bankers Association by GEORGE A. YOUNG, *assistant cashier, The Old Phoenix National Bank, Medina, Ohio.*

ICE WATER—"Have a Drink on the Bank," say the signs on two big water coolers in the tent housing an Ohio country bank's county fair exhibit. Thirsty visitors line up for turns at the spigots. "Say, this is okay!" they chuckle. "'Have a drink on the bank!' . . . Well, why not?"

And thousands do—with a word of gratitude for the thoughtfulness of The Old Phoenix National of Medina, a mental note that here's a rather unusual quirk to the business of lending money, and a refreshed receptiveness to the bank's displays in the vicinity of the white coolers.

The bank has had an exhibit at the Medina County Fair for the past three years; it's part of the "outside" farm program. Although there was at first some doubt as to the propriety of a dignified business rubbing elbows with a three-for-a-dime ball game, there was no doubt that the farmers flock to the fair—so the bank went, too. Such things as soil conservation, dairy improvement and farm economics may seem to be in a difficult competitive position with the gilded offerings of a midway; but the bank frames its material in attractive displays, provides comfortable chairs for weary visitors, offers a bit of entertainment, guessing contests with prizes—and ice water. Also, it manages to be sure that interesting facts about itself and its operations catch even the casual caller's eye.

Does it pay? The new school teacher, as she opened an account, remarked that she had seen the bank's exhibit at the fair three years previously and knew, when she came to Medina, that she wanted to do business with this bank. The buyer of a farm, in arranging a $9,000 mortgage, said he, too, had met Old Phoenix at the fair and that when he decided to buy in Medina County he "just naturally" came to the only place where he was acquainted.

The tent and the water cooler are only part of the bank's active farm business development program. Like many other banks, it has been interested in the farmers for many years, directing advertising to them, participating in agricultural functions, sponsoring 4-H club work, and doing a substantial business with the farm population of its area. By

At a bank-managed farm sale in Medina County

One of the water coolers in winter storage

1942 its enterprises in this direction had so developed that it employed a local man, farm-raised and trained in agriculture, to handle the farm business. One of the first ventures was the creation of a farm sale service to list and advertise these dispersals of property, attend to the auctioning and clerking, and furnish numerous special aids to the farmer who in many cases was holding his first sale.

On the day of an auction a representative of the bank is present, assisting with the settlement and taking the money for deposit. This gives the bank an opportunity to have an active part in an important farm function, to meet new people, and to handle credit needs arising from purchases at the sale. A charge—a percentage of the gross—is made for the service; all sale expenses, including the auctioneer's fee and the advertising outlay, are paid from the bank's commission.

THE Old Phoenix works closely with young people. Sponsorship of a county 4-H calf club was assumed in 1940, and in 1946, with approximately 50 members (each owning a registered dairy heifer) an intensive training program was completed. Six meetings of the club were held last year, the bank's man helping the county agent with the programs.

Spending money on a young people's project is one thing, but time spent with boys and girls is even more important. Someone from the bank attends all their meetings, goes on every judging or inspection trip, calls on the youngsters in their homes, and really gets to know their problems and ambitions.

The bank also helped organize the Dairy Improvement Association. It promotes soil conservation, implementing its interest with such devices as a home-made rain-maker demonstrating soil and water runoff, constructed by the bank and used in a fair exhibit. Several thousand copies of a soil conservation booklet and folder have been distributed.

Although the bank has a "farm man," all officers make farm loans. The staff feels that farmers are no different from other customers and that they do not wish to be treated differently. Friendliness, understanding of and interest in farming, combined with a willingness to go out after new accounts, keep a good volume of farm business flowing in.

Time to Use Farm Mortgage Tests

A. G. BROWN

Mr. Brown is a deputy manager of the American Bankers Association and is director of the Association's Agricultural Commission.

During 1947 we may expect to see applications for farm loans of all kinds increase in both number and dollar amount. As bankers we will be faced more than ever before with the necessity for applying sound principles of farm mortgage financing.

All during the war years there was little need for farm mortgage funds because prices of farm products were high and farming as a business was profitable. The purchase of much needed farm machinery and equipment was deferred because of material shortages. And the same was true with respect to the replacement of buildings and the construction of new ones. The youth of America had gone to war for a period of four or five years so there was a very limited replacement of older farmers by young men who needed credit to become established in business.

With the return of the veteran there are a lot of factors that will tend to increase interest in farming. We may expect to see more need for the use of farm credit, namely: (1) Short term for production; (2) intermediate for new stock and equipment; and (3) long term for the financing of capital investments, either through the purchase of new land or improvement of farms and buildings.

The record shows that commercial banks are currently making more farm mortgage loans than any other lenders. The average size, too, has advanced from $2,050 to $3,490 during the period from 1940 to 1946. The record of commercial banks in the farm mortgage lending field indicates that banks in every state recognize "that an amortized loan to a good farmer on a good farm when properly appraised is truly self-liquidating."

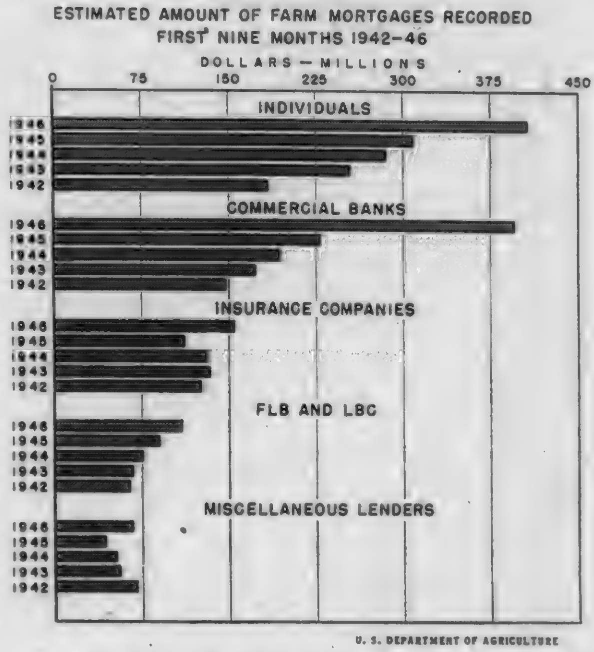
The increase in the number and amount of farm mortgage loans made by banks may indicate that banks are successfully meeting competition from the federal land banks and insurance companies for this business.

Also, hundreds of banks have made contractual arrangements with certain life insurance companies to make long-time mortgage loans, using insurance company appraisers and approvals, and carry them for two years when they must sell them to the insurance companies. One life insurance company reports that banks had made $10 million of these loans for it in 1946. This plan enables banks to take on larger loans than they would otherwise undertake and accounts for some of the increase in the average size.

The accompanying chart covers lending by different agencies and shows a comparison for the first nine months of each year from 1942 through 1946. It reveals the increased interest which banks have taken in farm mortgages and also that commercial banks are the major lenders in this field.

The present situation recognizes the fact that farm mortgages reached the lowest point in 30 years when, on June 30, 1946, that total approximated $5 billion. They have been increasing since September and on December 31, 1946, were presumed to be in excess of $5.2 billion.

FARM MORTGAGES RECORDED THIRD QUARTER, 1946



The farm mortgage loans outstanding and in the hands of commercial banks on June 30, 1946 were approximately $618 million. These are not concentrated in any one area, but are in all states. This compares to $1.2 billion that was outstanding and in the hands of commercial banks on January 1, 1920.

The American Bankers Association recognizes the need of keeping its members informed about the farm land price situation. It has been doing this for the past six years through the medium of the farm land price bulletin. In addition, it recognizes the increased interest which banks are taking in the making of farm mortgages. The Agricultural Commission has worked out eight principles of farm mortgage financing which it believes banks should follow—and have the public know about. These eight principles are:

(1) The test of a good farm mortgage loan is one where the farm offered as security will produce sufficient income to pay operating expenses including taxes and insurance, provide a living for an average family, and leave enough margin to pay interest and principal on the loan.

(2) The loan should be amortized on a plan adapted to the borrower's ability to repay, and the loan contract should permit advance payments of principal. Loans made during periods of high income should provide for rapid repayment until reduced to an amount that can be carried with much lower farm income.

(Continued on page 72)

News for Country Bankers

Merchandising . . . Bank Operations . . . Legislation . . . Better Farming

This selection of news for country bankers was compiled by MARY B. LEACH, *of* BANKING'S *editorial staff.*

A.B.A. Soil Conservation Manual

THE question of how banks can cooperate with farmers and county agricultural agents in soil conservation programs is one that is answered in the manual, "What Bankers Can Do About Soil Conservation." It's a new 36-page booklet, illustrated with color, photographs, charts and forms, and designed to stimulate interest among bankers, county agricultural agents and farmers in soil conservation practices. It has been produced by the Agricultural Commission of the American Bankers Association and has been sent to 3,000 county key bankers, county agricultural agents, state bankers association secretaries and U. S. Department of Agriculture district soil conservationists.

The plan of getting this manual into the hands of bankers themselves through the medium of a banker-farmer meeting is to be arranged by the county key banker and the county agent, where plans will be made to foster closer cooperation in soil conservation through the practical application of the methods and ideas presented in the soil conservation manual.

C. T. O'Neill, chairman of the Agricultural Commission, has asked the county key bankers and the county agents to cooperate in arranging for such a meeting in every agricultural county during the next few weeks.

The text of the manual is subdivided into five general headings, as follows: (1) "The What, Why, and How of Soil Conservation"; (2) "Answering Questions Bankers Ask About Soil Conservation Districts"; (3) "Making Conservation Equipment and Trained Personnel Available to the Farmer"; (4) "Bank Loans for Soil Conservation"; and (5) "What Banks Can Do About It—Developing Community Interest in Soil Conservation."

Another New Soil Conservation Booklet

Another recently published soil conservation booklet is a 24-page illustrated work entitled "Let's Practice Soil Conservation for a Permanent Agriculture," published by the International Harvester Company of Chicago, Illinois.

Among the conservation practices discussed are contour farming, strip cropping, terracing, gully control, soil management, stubble-mulch, tillage, mechanical treatment, fertilizing, liming.

The International booklet stresses the importance of soil and water conservation to our national economy and by means of photographs, diagrams, charts and "how-to-do" text tells how to prevent erosion and how to conserve water supplies.

Pennsylvania

Bankers attending clinic on farm management and bank credit in agriculture at State College, sponsored by Pennsylvania Bankers Association and Pennsylvania State College. State President Edmund W. Thomas, of Gettysburg, and Roy I. Fulton, of Clearfield, chairman, PBA's committee on agricultural development, were assisted by the College of Agriculture staff in presiding at sessions

S. C. Banks Sponsor "Our Land" Essay Contest

"Our Land" is the subject of an essay contest being jointly sponsored by the South Carolina Bankers Association and the Soil Conservation District Supervisors and open to the public school students in South Carolina.

Essays cannot exceed 1,000 words and, under the rules, at least five must be entered from a county before $25 awards will be made to first-place winners. Statewide awards, made possible by contributions from individual banks, will be made as follows: First place winner, $75; second place (Piedmont) $50; and second place (Coastal) $50. State award winners will not be eligible for county awards; therefore, in counties where contestants win the state awards, the county awards will go to the second place winners.

Contestants are instructed to interview parents, teachers and neighbors about the land problems in their communities and then to write essays which will include the following points: (1) The main land problems in the community; (2) the cause of these problems; and (3) how the farmer can use the soil conservation district to solve these problems and, at the same time (a) make the land produce the greatest yield of crops; (b) increase the growth of forests; and (c) improve pastures.

Farmers Invite Their Bankers to Dairy Meeting

C. W. Bailey, president of the American Bankers Association, was the principal speaker at the recent annual meeting in St. Louis of the St. Louis Dairy Council. He was presented by Chester C. Davis, president of the Federal Reserve Bank of St. Louis.

Every county within the so-called St. Louis milk shed, covering a 100-mile radius, was represented at the council meeting and each farmer member brought with him his country banker, making it truly a farmer-banker meeting.

Joseph F. Holland, vice-president, Manufacturers Bank and Trust Company, St. Louis, presided at the council meeting.

One-Day Credit Clinic at Rockford

At Rockford, Illinois, 125 bankers attended one of a series of one-day credit clinics being held throughout the country under the auspices of the Small Business Credit Commission of the American Bankers Association. Agricultural credit problems common to the

Rockford area high-lighted the meeting.

Floyd M. Condit, president, First National Bank of Beardstown, presided and was one of the principal speakers, having as his topic "Present Need for Extension of Sound Credit."

Audience at the Rockford, Illinois, one-day credit clinic sponsored by A.B.A.'s Small Business Credit Commission

South Dakota Farm Efficiency Booklet

Factors contributing to success on South Dakota farms and ranches are listed in a 15-page mimeographed booklet issued by the agricultural committee of the South Dakota Bankers Association as (1) size of business; (2) labor efficiency; (3) crop selection; (4) crop yields; (5) livestock selection; and (6) livestock efficiency.

This study, according to John N. Thomson, committee chairman, was developed by the Experiment Station of the South Dakota State College at the request of a special agricultural subcommittee of the South Dakota Bankers Association. It includes tables which show (1) the efficiency factors for general livestock-grain farms and dairy-general livestock farms in eastern South Dakota, for cash grain farms in northern South Dakota, for beef-grain farms in central South Dakota, for cattle and sheep ranches in western South Dakota; (2) work units for general and dairy-general farms, for cash grain and beef-grain farms, for cattle and sheep ranches; and (3) average feed requirements for South Dakota livestock per year.

The booklet also makes crop and livestock practices recommendations, and discusses the need for farm records and recommendations.

Mr. Thomson, in addition to his South Dakota Bankers Association chairmanship, is chairman of the Subcommittee on Agricultural Credit of the Committee on Federal Legislation of the American Bankers Association.

Kokomo Bank Has Farm Management Department

The appointment of Floyd McElwee to head the newly created farm management department of the Union Bank and Trust Company of Kokomo, Indiana, was announced through the news columns of the Kokomo press coincidentally with the use of a four-column paid advertisement making this announcement.

Mr. McElwee has been a farmer in Illinois and Indiana and has been associated, for the past eight years, with the mortgage loan department of Aetna Life Insurance Company.

In commenting upon Mr. McElwee's fitness for his new post, Union Bank President B. D. Mitchell said:

"He is prepared to be of assistance not only in planning farm production, but also where the marketing of crops is concerned and is thoroughly familiar with farm credit."

The newspaper advertisement, after announcing "A Special Department to Serve a Most Important Industry," says that it is "prepared not only to advise—when farmers so desire—and to supply credit as required, but also to undertake the management of farm properties for non-resident owners who lack the time, or feel that they lack the experience, to operate to the most advantage."

Farm Contracting Succeeds in Georgia

Fifty-five farm contracting businesses were established during the first year of the statewide agricultural development program introduced by the Trust Company of Georgia and its affiliated banks, and this service is now available in over 100 counties, John A. Sibley, chairman and president of the Atlanta bank, reported recently.

"We are very much pleased, of course, to be able to report that two-thirds of the Georgia counties now have partial service, but we are eager to extend the coverage to all 159 counties," he added, pointing out that the Atlanta bank hopes the number of farm contractors during the coming years will triple.

Veterans were especially enthusiastic about farm contracting and 80 percent of the men taking advantage of the opportunity to go into business for themselves are former GI's, although the plan was not limited to ex-servicemen.

Facts and figures available after only a year indicate that farm contractors can broaden their services to the benefit of an even larger group by providing more mechanized equipment which it would not pay the majority of farmers to own, such as disc tillers, planters, combines, cultivators, one-man-operated hay balers and other man-labor and money-saving equipment.

The numerous possibilities are discussed in detail in a booklet on farm contracting recently issued by the Trust Company. The booklet may be obtained from the Atlanta bank or its affiliates—The National Exchange Bank of Augusta; The Fourth National Bank, Columbus; The First National Bank & Trust Company in Macon, The First National Bank, Rome, and The Liberty National Bank & Trust Company, Savannah.

Iowa Agricultural School for Bankers

The Iowa Bankers Association will cooperate with the Iowa State College in Ames for the second year in conducting an agricultural course for bankers. The full course will require a two-year sequence of courses and two sessions will be given each Summer in order to accommodate more students. Each session will run for two weeks; the first being scheduled for June 16 through 28, and the second, July 7 through 19.

Attendance at each session is limited to 30 students. Admission is $25, which may be a part of a bank on-the-job training program for veterans. No college credits will be given for the course, as was done last year, hence no examinations will be held.

In 1947 the curriculum will consist of courses in agronomy, soil management, land appraisal, and animal husbandry. In 1948, there will be courses in farm management, agricultural engineering, and animal husbandry.

While the school is intended for Iowa bankers, students from surrounding states may participate.

(CONTINUED ON PAGE 64)

Within the Building Industry a Plan Is Evolved for Low-Cost Housing

ARTHUR A. HOOD

The author is editor, American Lumberman & Building Products Merchandiser. *He was first co-chairman, representing the manufacturers' group, of the coordinating committee which he refers to in his article.*

THE key to the housing problem is the provision of hundreds of thousands of individual new houses at prices people can afford to pay.

The building industry is now moving toward a solution.

In September 1945 a Manufacturer-Dealer Coordinating Committee was formed, consisting of 14 dealers representing geographical coverage of the country and 14 manufacturers representing major industries contributing to the home.

They adopted a concept called Industry-Engineered Homes and in the past year and one-half this committee has brought the concept into a realistic project.

What are Industry-Engineered Homes?

The concept was initiated several years prior to the war on the premise that neither prefabrication nor orthodox construction held the complete answer to the provision of new homes at prices the masses could afford to pay. Prefabrication is a marginal answer because it fails to employ the bulk of the local construction industry. Orthodox construction would not fill the bill.

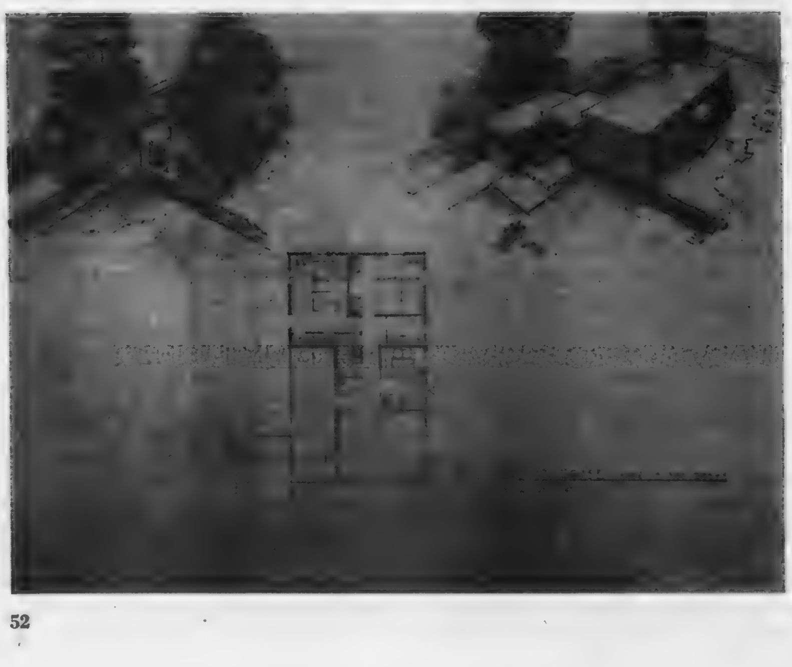
An industry-engineered home goes down the middle of the road between prefabrication and orthodox construction.

In 1940 a plan book of industry-engineered homes designed for the farm market was published. Approximately 125,000 copies had been mailed when the war broke and new home construction was stopped.

The postwar industry-engineered house is based on partial standardization of design within a modular pattern called a "domino." A domino is a 16′ x 24′ unit that can be multiplied to fit the requirements of any family.

These dominos may be arranged into patterns providing for an infinite variety of external architectural treatments—and a very considerable variation of internal arrangements.

Yet the dominos make possible very considerable savings in (a) factory production costs, (b) site production costs and (c) distribution costs.



The 16′ x 24′ "domino" unit can be multiplied in various ways to fit the requirements of any family. The blueprint in the illustration at the left is a combination of two dominos. The architect's sketch in the upper left corner shows the two-domino combination treated in the "traditional" manner; upper right sketch, in the "modern" style

Under the industry-engineered house plan each manufacturer is requested:

To engineer his line of products into the home in such a manner as to reduce the amount of on-site labor to an absolute minimum.

To coordinate his engineering with that of other product manufacturers whose products are involved with his in on-site construction work, effecting further savings.

To package his products for an individual house in a manner that will bring all possible cost reductions between factory doors and the completed job. (He will be requested to include in his package engineering miscellaneous items from subcontracting manufacturers that would logically be packaged with his.)

To determine the exact number of hours of construction or installation time required to complete on-site work in connection with his package.

To prepare to distribute to the job his package in the most direct distribution line possible.

With this work completed the technical staff of the Manufacturer-Dealer Coordinating Committee will coordinate the engineering of all manufacturers and prepare final plans and specifications for release.

The plans will be released to the industry through dealer members of the National Retail Lumber Dealers Association and the 32 regional affiliated associations. The homes will be sold, erected and delivered by the dealers and their affiliated building contractors.

Responsibility to the consumer will be centered in the two investment factors of the industry—the manufacturer, in so far as the individual product package is concerned, and the dealer, for local considerations.

This responsibility constitutes, for the first time, a *true home-building industry*.

What savings may be expected?

Industry engineering of houses can save a fraction of the 27 percent or F.O.B. factory costs through simplification and standardization of the materials and equipment manufactured. But the important savings in industry-engineering of new homes will be found in the reduction of manual and white-collar labor between the factory and delivered home.

These savings will be in two categories: in construction labor and in the labor involved in distribution.

Minutes and hours of assembly, installation, fabrication and erection labor can be saved in each of the building trades by careful engineering and packaging of each type of material and equipment with the sole thought of reducing on-site labor costs.

In the area of distribution, the development of unit house packages of the various major classes of materials and equipment by their manufacturers would facilitate carload shipments to a single type of warehouse between the factories and the job site.

In a program as basic as this, a multitude of difficulties and details must be mastered. Budget and staff problems continue, but at the current meeting of the coordinating committee it is expected that a number of Industry-Engineered Home designs will be approved—sufficient to cover the needs of the average family consumer—and that manufacturers' package engineering will be sufficiently advanced to facilitate marketing plans.

Meanwhile, at various points in the country, certain dealers are erecting "domino houses" in an effort to iron out local industry and on-site problems against the day when a line of industry-engineered homes will be offered the public. Substantial local savings are already indicated.

Mr. Hood's 25 Reasons Why the Government Should Not Be in the Housing Business

(1) Because the Government would superimpose another administration cost on top of already costly structures causing further inflation.

(2) Because the Government would monopolize available materials and labor which private industry would otherwise use.

(3) Because the Government would bid against private industry for available materials and labor, forcing selling prices higher.

(4) Because government administration causes interminable delays in the employment of available skilled labor.

(5) Because government housing projects are notoriously costly to build and inefficient from the occupants' viewpoint.

(6) Because direct rent subsidy is more equitable and less costly.

(7) Because political considerations rather than economic facts often govern decisions of government personnel administering housing.

(8) Because national government administrators cannot intelligently or effectively handle problems so completely local in nature as the provision of community homes.

(9) Because the Government could spend its money more effectively in educating our lower income groups to want better housing rather than give them something for nothing.

(10) Because the moral fibre of the lower income groups will be weakened by disguising charity in the form of a buried subsidy, destroying the incentive to thrift and saving for better housing.

(11) Because public housing deprives private enterprise of the ability to pay taxes while assessing taxes from people, with lowered ability to pay, for the privilege of being deprived.

(12) Because unwieldy bureaucracy is increased and prolonged.

(13) Because governmental procedures and the labyrinthian maze of red tape of government-in-business increases costs and delays completions interminably.

(14) Because housing is a highly technical problem requiring thoroughly trained personnel not usually available to government bureaus.

(15) Because bureaucratic administration secures necessary cooperation in peacetime from industry factors, with whom they are competing, only with the profligate use of government funds.

(16) Because private capital and investments demand economic operations and produce lowest costs. Government investment, on the other hand, is invariably wasteful and productive of high costs.

(17) Because government in housing does not add one whit to available labor and materials unless government also enters manufacturing and apprentice training.

(18) Because government in housing would discourage industry efforts at solving the housing problem at the very time rapid strides are being made toward a solution.

(19) The excessive costs of government keep going on ad infinitum because it is demonstrated that the average cost of building management in the housing field under government administration is 11 percent, whereas private enterprise does it for 6 percent.

(20) Many reasons for advocating public housing are based on deceptive and inaccurate accounting techniques which make it almost impossible to determine exactly the amount of the great increase of public housing costs over those of private enterprise.

(21) Figuring the actual cost of public housing, the families occupying these houses are paying with the taxpayers' money rentals higher than 9/10 of the renting population that does not occupy public housing.

(22) The high cost of labor is accentuated by the fact that labor relations with public administration are normally much less efficient than those with private management. In other words, mechanics just naturally let down more when they are working for a government bureau.

(23) The local tax subsidies in public housing jeopardize property values in the local community because owners of private property are compelled to carry the extra load of municipal costs, including municipal services to public residential buildings.

(24) Because it moves the low 20 percent income group into a much higher bracket and creates another "low 20 percent" group, thus compounding economic injustice.

(25) Because there is a better way out, to wit: Remove the controls and restrictions that prevent the free working of natural economic laws in the building industry and we will have plenty of good housing.

Building News

Emergency Housing for Veterans

THE Fitchburg Veterans Center, Massachusetts, has done a fine job in providing housing accommodations for returning veterans, according to Eric D. Rice, treasurer, Fitchburg Savings Bank, and a member of the mayor's committee on emergency housing.

The center aided greatly in obtaining 120 housing units from the War Housing Administration. These multiple dwelling units were connected with a military camp in Montpelier, Vermont. They were disassembled, trucked down and reconstructed on a site in Fitchburg provided by the city which also, without cost, provided other necessary services such as water, electricity and sewage disposal.

The units consist of three- and four-room apartments with bath. There is no central heating but two oil stoves are provided for each apartment. The three-room apartment rents for $27 a month, the four-room for $31. All services are provided with the exception of oil for the oil stoves. There is a housing manager on the site and, in addition to supplying the usual real estate service, he acts as something of an overseer.

Since there are no cellars, the apartments on the first floor of the two-story structures were apt to be cold, a situation which was partly remedied by insulation between the floor boards and the linoleum.

The dwellings are only to be used as temporary housing and will be razed within seven or eight years.

Western Mortgage Clinic

A Western Mortgage Clinic to be held in Los Angeles, March 24–25, at the Alexandria Hotel will mark the resumption of the American Bankers Association's regional mortgage clinic program. Sponsored by the A.B.A.'s Real Estate Finance Department, the program was suspended in 1942 because of the war.

Thomas B. King of the Veterans Administration in Washington will address a session devoted to a discussion of veterans' loans. Representatives of the California VA office will also take part.

A similar session on FHA loans will feature Frank Richards, deputy commissioner of FHA, as speaker.

Builder-lender relationships, and farm mortgages will be considered in other sessions.

The final session will feature a "mortgage committee in action" panel. Linden L. D. Stark, vice-president, Anglo California National Bank, San Francisco; William A. Marcus, vice-president, American Trust Company, San Francisco; H. A. Dutcher, assistant vice-president, Bank of America, NT & SA, Los Angeles; D. N. Millan, vice-president, San Diego Trust & Savings Bank; and R. Foster Lamm, vice-president, Citizens National Trust & Savings Bank of Los Angeles will serve as panel members.

A reception and dinner sponsored by Los Angeles bankers has been arranged for March 24. Joseph M. Dodge, vice-president of A.B.A. and president, The Detroit Bank, will speak on "Impressions of Postwar Europe."

The committee on arrangements for the Los Angeles regional mortgage clinic includes (in addition to the panel members with the exception of Mr. Lamm): Joseph R. Jones (chairman) vice-president, Security-First National Bank, Los Angeles; William J. George, president, First National Bank, Merced; George V. Claytor, vice-president and manager, Security Branch, Citizens National Trust & Savings Bank, Riverside; H. J. Mendon, vice-president, California Bank, Los Angeles; H. H. Harper, manager, real estate department, Stockton Savings & Loan Bank, Stockton; G. A. Walker, president, Farmers & Merchants National Bank, Long Beach; J. W. Lewis, vice-president, Union Bank & Trust Company, Los Angeles; S. W. Bugbee, junior vice-president, Citizens National Trust & Savings Bank, Los Angeles; Fred E. Snedecor, president, First National Bank, Corona; R. F. Moretti, vice-president, Bank of America, San Francisco; E. A. Mattison, executive vice-

(CONTINUED ON PAGE 58)

The new home of the Ohio Citizens Trust Company is the largest single banking room in Toledo, Ohio. With a total area of 19,000 square feet, it houses all the bank's activities, except the safe deposit vault, on one floor.

Recordak Single Posting System

NEW PROTECTION

Because it's photographic, the Recordak Single Posting System gives the bank, its depositors, and its employees unique protection: it provides film records that can't be tampered with or altered . . . without detection. Today, no bank should be without this protection.

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350 Madison Avenue, New York 17, N. Y.

Please send me a free copy of your book about Recordak—"IN BANK AFTER BANK AFTER BANK."

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Building News

(Continued from page 54)

president, Bank of America; and Phillips S. Davies, director of Public Relations, San Francisco Bank; all of California.

All-Glass Counters

According to the company which fabricated them (one of the largest glass manufacturers in the country), the new low type, all-glass top service counters recently installed by the Bank of Ste. Genevieve, Missouri, were the first the company had ever fabricated.

Top of the counters, which is all working space, is made of light green and black structural glass, with an 18-inch clear plate glass set upright four inches from the outer edge of the counter. Stationery and supply cabinets are built in, under counters, and are constructed of solid dark oak wood, aged naturally for 40 years. There is an electrical outlet on each side of the four teller's windows.

The counters were designed and planned by an employee of the bank and specifications were drawn up by him, even to detail measurements of all cabinets, cash drawers, glass requirements, and electrical wiring.

Mortgage Cancellation Plan

The Dime Savings Bank of Brooklyn, New York, is now offering a new service to its mortgage-borrowers—a mortgage cancellation plan designed to assure the families of home owners and home buyers a debt-free home should the borrower die before the debt is paid.

The plan will enable mortgage borrowers, at a minimum cost, to arrange for insurance which will automatically cancel the remaining mortgage debt in the event of their death. Mortgage-cancellation insurance is available to home owners who wish to refinance their old-fashioned fixed mortgage loans as well as new borrowers.

For a borrower (at age 35), with a $5,000 mortgage, payable monthly over 20 years, the cost of the insurance is only $2.85 per month, in addition to his rent-like payment of $31.65, which includes interest and principal. One monthly payment covers everything.

The Dime Savings Bank and The Prudential Insurance Company of America, through the brokerage firm of Dunn and Fowler, have worked out the new mortgage-cancellation insurance.

Building Conference

Representatives of the housing industry, government and mortgage lending agencies attended a recent conference in Washington, D. C., sponsored by the National Housing Administration, to discuss the gathering and organizing of statistics that will be useful to private and public agencies concerned with housing. Dr. Ernest M. Fisher, professor of urban land economics at Columbia University, was chairman, and Howard B. Smith, director of Research in Mortgage and Real Estate Finance, represented the American Bankers Association.

Several sub-committees were appointed to study particular phases of the housing industry with a view to outlining the field and suggesting a program of action. Another meeting of the committee will be held in the latter part of March.

"Homes for Today"

Better Homes and Gardens unveiled its new exhibit, "Homes for Today," at the National Association of Home Builders Convention and Exposition, held in Chicago, February 23–27. The exhibit, which was shown for the first time prior to a nationwide tour, gave the builders and manufacturers of equipment and appliances the opportunity to see the type of homes to be built in 1947. Six new homes, in colorful scale models completely furnished and landscaped and ranging in style from Cape Cod to contemporary, were presented.

The exhibit reveals what American families want in their new homes—trends disclosed by a national survey. American architects were commissioned by *Better Homes and Gardens* to design the homes with these preferences in mind.

Mortgagees' Handbook

The Federal Housing Administration has published a mortgagees' handbook which sets forth clearly and comprehensively the procedures and policies under Section 203 of the National Housing Act. The book is being distributed through the field offices of the FHA, and approved mortgagees may obtain copies from those offices without charge.

The handbook contains a detailed description of the procedures followed from the time an application for insurance of a mortgage under Section 203 is submitted to the FHA insuring office to the time when the contract of insurance is terminated.

Some features of the book are: an application check list, a schedule of fees, a compilation of numerous rulings, methods of applying partial pre-payments, servicing of insured mortgages, procedure involved in selling approved mortgages to another approved mortgagee, completed forms illustrating the tendering of properties to the commissioner and the documents required, compliance inspections, an appendix presenting an illustrative case showing the various forms required, the National Housing Act as amended in July 1946, and other appendices showing the administrative rules and regulations as revised, amortization and mortgage insurance premium tables, a schedule of authorized fees, and a list of FHA field offices.

Subdivision Control

"Subdivision Control—A Step Toward Better Communities" is a new publication issued by the Department of Commerce of New York.

"This manual is issued at a critical period in the growth of cities, towns and villages in New York State," Commissioner M. P. Catherwood states in the foreword. "With a building boom in prospect in almost every locality, due to the pent-up demand created during the war years and the preceding depression, it is impossible to over-emphasize the importance of using the controls available for assuring well designed subdivisions. Decisions made during this time of greatly increased building activity may well spell the difference between long-lived, attractive development and haphazard, ill-appearing subdivisions which may prematurely become blighted areas."

The handbook discusses the need for improved subdivision control from the standpoint of municipal finance as well as protection of private investment. It emphasizes the advantages enjoyed by developers and builders in subdivisions that offer first-class sales appeal and avoid the errors of unsalable lots and unattractive building locations. It also stresses the protection afforded home owners and lending institutions by a subdivision control that guards against rapid deterioration of a neighborhood.

New High in Residential Construction

Investment commitments for residential construction reached an all-time high in the 37 states east of the Rocky Mountains during 1946, according to the F. W. Dodge Corporation, New York, a fact-finding organization for the construction industry.

The total valuation of contracts awarded for residential construction last year in the 37 states was $3,142,102,000 which compares with $2,788,-

318,000 for 1928, the last previous record-breaking year.

On the basis of floor area of residential building called for in contracts awarded, however, 1946 stood fourth, higher residential floor area totals being shown for 1928 with 568,382,000 square feet; 1925 with 559,499,000; and 1926 with 521,062,000. The total floor area called for in last year's residential contracts was 516,256,000.

Federal Home Loans May Reach $7 Billion

Home financing credit supplied by member savings and loan associations of the Federal Home Loan Bank System for the 1946–1947 period may approach the record volume of $7 billion, according to an estimate by Harold Lee, governor of the System. Of this total, up to $4 billion would be for houses constructed under the building goal of the Veterans Emergency Housing Program, and the balance for purchase money mortgages and for refinancing and reconditioning loans.

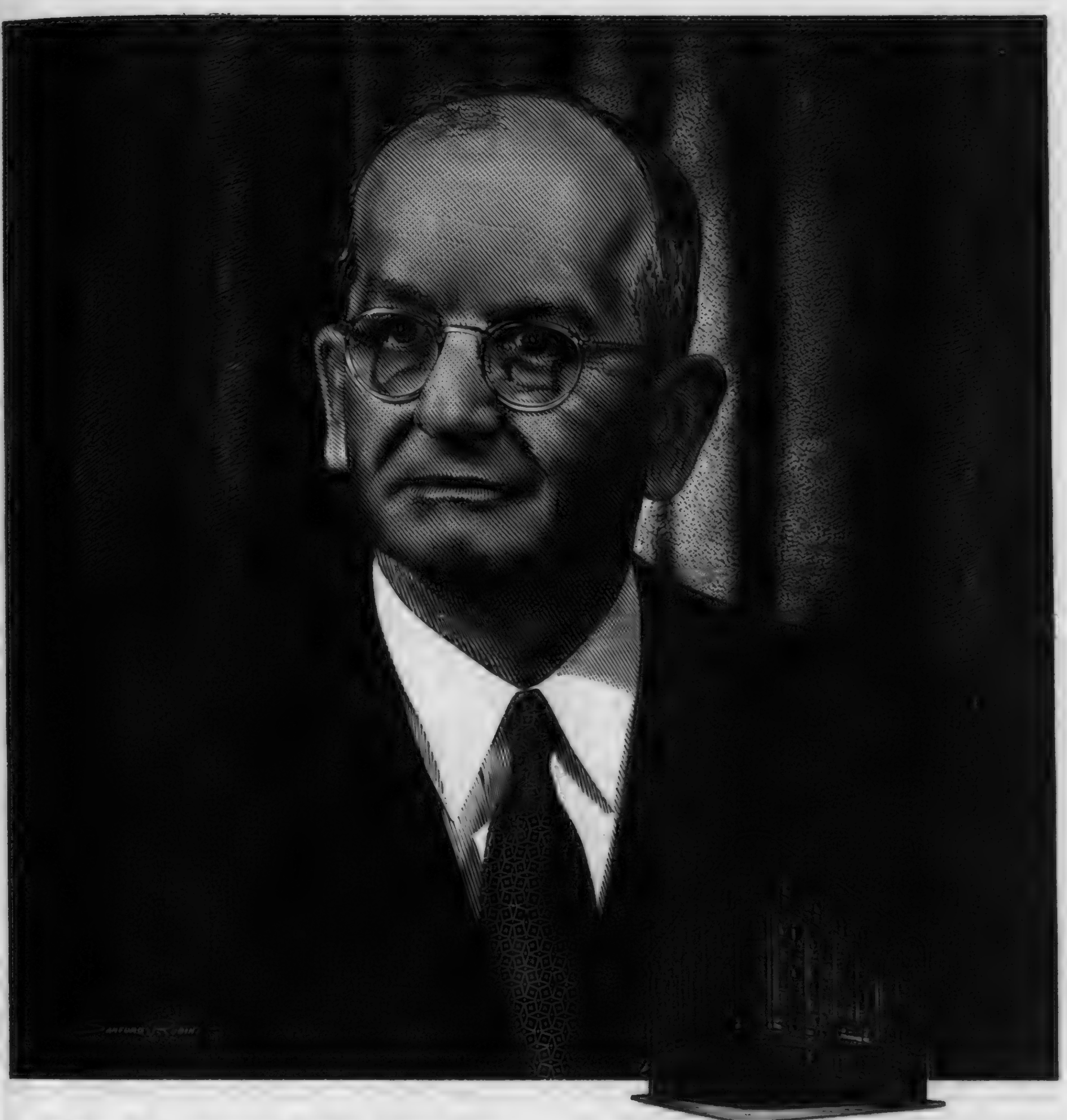
Indiana Housing Project

The Federal Housing Administration recently announced approval of a 629-unit housing project for World War II veterans and their families at Indianapolis, the largest single project yet approved by FHA under its intensified rental program for veterans. It exceeds by 96 units the recently announced project approved for the University of Miami at Coral Gables, Florida. It will be financed by Mid-City Investments, Inc., of Gary, Indiana, with a mortgage of $4,792,500 insured by FHA under Title VI of the National Housing Act.

"Approval of projects as large as Meadowbrook and University of Miami within a short period should give a real impetus to FHA's rental housing program throughout the country," FHA Commissioner Raymond M. Foley said.

"While large projects are welcome, FHA state and district directors are doing their utmost to encourage a large amount of small projects under our rental housing program, as well as construction of houses for one to four families. . . .

"The small builder and the small investor are essential to the success of the program. An important feature of the new residential permit system, administered by FHA, is that an investor or builder can construct a two-to-four family house or project, occupy one unit himself, and rent the others to World War II veterans and their families."



THE INVESTMENT MARKET

H. EUGENE DICKHUTH

MR. DICKHUTH *is on the financial staff of the New York* Herald Tribune.

TREASURY fiscal policies will remain unchanged pending congressional decisions on possible changes in income taxes. This is fairly certain despite rumors to the contrary.

One such unsubstantiated hint, published recently—that the issue of a new 2½ percent long term bank-ineligible bond was imminent—resulted in a severe shakedown in the market for governments. In view of the facts, this was really unnecessary. It probably would not have occurred if the market had not been thin and stagnant to the point where little selling caused an upset. The net result, however, was negligible, since all losses were recouped in short order.

Investmentwise, there is a good deal more optimism now than there has been for some time. Despite much political shouting, basic budgetary conditions are better, for one thing, which is one primary factor that should make for relatively stable government securities markets in the future.

January 15 income tax collections proved far above advance estimates, even though it is not clear at this time whether this would mean greater or lower tax revenue on March 15. In the event that most taxpayers liquidated their 1946 indebtedness in January, the outlook would be for smaller receipts in March. If this assumption is incorrect, there is no reason to jump at such conclusion.

The original budget estimates predicted a deficit by June 30 next of about $2,300,000,000, but the feeling is growing that revenue was under-estimated and expenditures placed too high, so that the final deficit may be considerably lower.

The net result of this condition marketwise is that the Treasury will have no difficulty in redeeming for cash the $1,948,000,000 1¼ percent notes on March 15 and there is the additional likelihood of further debt reductions out of current income before June 30. It may be observed that the February 1 redemption of a billion of certificates was the first effected completely from current receipts rather than from call on war loan accounts as previously.

MUCH buoyancy also exists as regards state and municipal financing for 1947. Optimists assert it will reach about $2 billion and, therefore, a substantial further gain from the $1.2 billion reported in 1946 which was the largest since 1940. If this materializes it should be beneficial for such institutional investors as savings banks, insurance companies and others which have been disappointed over the limited volume of mortgages available, even though yields of municipals and mortgages can hardly be compared.

The main reason why greater financing by states and municipalities is expected, is the inevitable expansion of building and construction which, while still limited by scarcity of supplies and labor, is nevertheless expected to be much higher than during the past war years when there was a virtual standstill. It may be noted that the average yield of this group of investments rose from 1.57 percent from January 1946 to 1.87 percent as of November last.

The gain must be attributed to several factors. One was a decline in prices in the latter half of last year, another the prospect for lower personal income taxes which would reduce the value of tax exemptions, and finally the increasing volume of such obligations which has become available in recent months.

The prospects are, too, that in the event of a business recession public works projects will increase rather than diminish in volume so that supporting financing is likely to rise under favorable as well as adverse circumstances. In the latter case, it would assume part-relief functions.

Although dividends were reduced on 74 common stocks listed on the New York Stock Exchange and eliminated or deferred on 26 others during 1946, the total distributions to stockholders in the country last year ranked well among the historic top years, amounting to $2,668,549,000 or 16.3 percent more than in 1945.

THE reasons for this conflicting picture are manifold. In the first place quite a few industries were unfavorably affected by strikes last year, by labor and material shortages and by disruptions in related fields. Another important factor entering into dividend payments was the elimination of the excess profits tax as well as tax carry-backs accumulated by some manufacturers throughout the war years.

The largest percentage gains were achieved in 1946 by transportation services which paid $1,348,000 last year, against $381,000 in 1945, a rise of 253.8 percent. The paper and publishing business had the second largest increase with 114.5 percent over 1945. The textile industry advanced 97.7 percent, amusements were up 86.9 percent and ship operating companies were up 71.4 percent. The rubber industry paid 68.2 percent more than in the preceding year, retail merchandise establishments 62.7 percent more and foreign companies 60.3 percent more. Building followed with a rise of 38.9 percent.

In the entire list of company groups whose common stocks are listed on the New York Stock Exchange, there are only three minuses. Among those paying less than in 1945, the automotive industry lead with a decline of 18.2 percent, aviation dropped 4.1 percent and the railroads' dividend payments were four-tenths of 1 percent below those for the preceding year.

The 1946 dividend story closely parallels that of 1919. In the year immediately following the First World War, industrial dividend distributions likewise were unusually high following tax reductions.

News for Country Bankers

(*Continued from page 51*)

Industry-Finance-Agriculture Study Price Supports

The American Bankers Association was represented by A. G. Brown, director of the Agricultural Commission at a meeting called recently by the United States Chamber of Commerce in Washington, at which industrial, business and agricultural organization leaders discussed the agricultural situation, particularly farm price supports.

No specific formula was agreed upon; however, it was the consensus that the Government should get out of business and that farm commodity price supports in the future should be low enough to discourage production just for a price. In short, the present price support system is an incentive one, because it is so high that it influences poor farmers as well as good ones to stay in the business of producing.

"Everyone at the meeting recognized that there should be a floor high enough to keep farm prices from getting as low as they were in 1932," said Mr. Brown, "but high enough to create a surplus of food commodities for the consuming public."

This question will continue to be studied by this group.

"Take Over Farm Equipment Financing," McCaffrey

"I think the time is ripe for the local bankers to take over the financing of farm equipment," said J. L. McCaffrey, president, International Harvester Company, in an address before the National Consumer and Instalment Credit Conference of the A. B. A. in St. Louis.

He pointed out that his company has had a successful and satisfactory experience in such financing, and said that "we intend to continue our finance plans and make them available to dealers who do not have access to adequate local financing." He warned bankers that this type of financing would not fall into their laps for the asking stating, "I believe the day has come when banking services must be sold to the customer the same as any other service."

In conclusion, Mr. McCaffrey said he felt that farm equipment financing should be classed as productive rather than consumer credit. He said he could think of no greater service local bankers can perform than to assist farmers to obtain equipment which will make them better farmers.

Farmstead Wiring Booklet

A comprehensive 44-page "Farmstead Wiring" book covering every step of farm electrification and wiring for contractors, jobber salesmen, dealers and farmers has been published by the Westinghouse Electric Company.

Inadequate wiring is given as the major roadblock to volume use of electric products that help the farmer make a better living. The book treats this technical subject in simple, popular terms. It also gives a simple explanation of voltage drop, with charts showing why good wiring is necessary to prevent loss of effectiveness of a large dollar value of equipment.

Information on how to obtain copies should be addressed to: Technical Press Service, Westinghouse Electric Corporation, P. O. Box 1017, Pittsburgh 30.

Spraying Equipment Leased by Bank

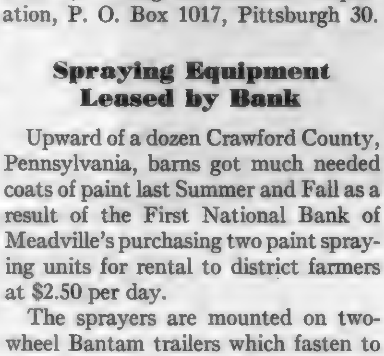
Upward of a dozen Crawford County, Pennsylvania, barns got much needed coats of paint last Summer and Fall as a result of the First National Bank of Meadville's purchasing two paint spraying units for rental to district farmers at $2.50 per day.

The sprayers are mounted on two-wheel Bantam trailers which fasten to private cars and can be rapidly moved from farm to farm. The sprayers are gasoline driven. One coat of paint can be applied to an over-sized barn in an eight-hour day, saving seven to 10 days of time for farmers.

The original sprayer cost the bank $385, while the trailer, which is used for both units, cost an additional $165. The second sprayer cost $425. Rental fees received from the sprayer are used to further agricultural projects in the county.

The First National Bank also has a mechanical chicken picker for the use of 4-H and FFA groups in marketing their home produce.

First National spraying equipment in action



Louisiana Soil Program

For more than two years the Louisiana Bankers Association and individual banks have sponsored a soil conservation district banker award program, which includes certificates of award to farmers who have applied and maintained a complete program of soil and water conservation on their land. An appropriate program, with outstanding speakers, and usually including a barbecue, is arranged for each meeting.

The Soil Conservation Service recently arranged a two-day soil conservation program in Alexandria, at which 28 banks were represented and a nine-point soil conservation program adopted:

(1) Distribution of conservation information through local newspaper advertising; (2) spot radio announcements; (3) local farmer-banker meetings; (4) expansion of bank soil and water conservation awards; (5) bank soil conservation exhibits; (6) direct mail conservation pamphlets and folders; (7) banker encouragement of soil conservation through personal contact with farmers; (8) selection of definite objectives in which all would cooperate; and (9) bank officer attendance at district conservation supervisors' meetings.

H. B. Martin, state conservationist, Department of Agriculture's Soil Conservation Service, Baton Rouge, recently praised bankers for their leadership in conservation work. "During my four years as county agent and 12 years with the Soil Conservation Service," Mr. Martin said, "I have worked rather closely with the bankers in Louisiana, and I fully appreciate the significance of their assistance."

New Direct Mail Folder

"How Bank Services Help Farmers," a new four-page direct mail folder with an insert on "Facts on Bank Credit Service Rendered to Farmers," has been completed and sample copies sent to 3,000 county key bankers, state association secretaries and several hundred industrial concerns, including farm equipment manufacturers, by the Agricultural Commission of the American Bankers Association.

News Exchange

(CONTINUED FROM PAGE 36)

in the consumer credit field, and the New York State Bankers Association has undertaken to discuss its threatened implications and a remedy for its adverse effect on banks' instalment financing activities. Legislation on the subject has been suggested as a possible solution of the problem.

CAA Drops Lien Recording

The cost of aircraft financing activities has been increased by a recent action of the Civil Aeronautics Authority, according to Louis J. Asterita, secretary, Consumer Credit Committee, American Bankers Association.

The CAA has said that the turn-over in old planes and the influx of new ones during the past year make it impossible for the limited staff to continue recording liens against aircraft and issuing registration cards for these aircraft. Consequently they have been forced to drop these facilities which have heretofore furnished what actually amounted to an abstract on the title of all civilian licensed aircraft.

The CAA suggests that some outside organization provide this service and furnish abstracts, and mentions three companies. Charges for the service vary between \$5 and \$15. This charge, in addition to the recording fee of \$5, makes the financing of aircraft an expensive undertaking.

Although some banks may feel that the cost of searching the CAA records is too high, it is very important to know whether there are existing mortgages on the aircraft before any extension of credit is made. If the records are not searched, particularly if the loan is to some extent predicated on the aircraft, the result may be a substantial loss for the bank.

One bank has suggested the following collective action:

(1) As a temporary measure, banks could attempt to persuade the CAA that requests for title information should be a part of their service.

(2) As a permanent measure, they could urge that space be provided on Part A of the new form ACA 500 for the name of the lien-holder. (On the revised form, no provision is made for the lien-holder's name.) In this way, CAA could refuse to issue a new registration certificate until a release of lien had been executed by the lien-holder. The present form ACA 506 could still be used as a notice of recording a lien and as a release document.

Right of Internal Revenue Agent to Inspect Bank Records

So far as the U. S. District Court for the Southern District of Alabama is concerned, an agent of the Internal Revenue Department, conducting an income tax investigation, has authority to examine all the records of a bank which relate to income tax returns of parties under investigation, and the agent, not the bank, will determine what items in the records pertain to the returns under investigation.

The agent is not limited to items carried under the names of parties being investigated. Entire records are subject to examination to ascertain whether or not the names of parties under investigation appear therein, and to ascertain whether or not there are other items related to the return in question, even though such items appear under the names of other customers of the bank.

The court rejected the bank's contention that its fiduciary relationship with its customers required it to resist such an examination of its records, and upheld the government view that neither the bank nor its customers who were not under investigation could suffer from such an examination, because the agent was authorized to select from the records only such items and accounts as pertained to or were related to the items under investigation, and that it could not be assumed that the agent would abuse his authority.

The investigation was not to be condemned as a "fishing expedition," but was a necessary and proper function of the Government in order to enforce its federal taxation laws, it was held, and the court further stated that a national bank, privileged and chartered by the Government to do business, has a duty to cooperate with government agents when called upon as a witness to produce its records.

The guarantees of the Fourth Amendment against unreasonable searches and seizures were held to be inapplicable so far as the bank was concerned in asking their protection for third persons. *United States v. First Nat. Bank of Mobile, U. S. Dist. Ct.—S.D.Ala.—67 F. Supp. 616.*

Duties of Conservator of Estate of Insane Person

An Illinois trust company has been reminded that, as conservator of the estate of an insane person, it cannot appear against and oppose its ward in litigation, and charge the cost of its litigation to the ward's estate.

On the grounds that it was acting to protect the interests of persons who had dealt with a previous conservator, the bank had obtained a Probate Court order allowing it to oppose, at her expense, the ward's petition to revoke a judgment declaring her insane.

Since the sole object of the bank's petition was to protect the rights of third persons as against its ward, and to use her money for that purpose, the Illinois Appellate Court revoked the lower court order and directed the bank to restore the money so expended. *Cash v. Metropolitan Trust Co., 70 N.E. 2d 331 (Ill.).*

Bank's Compensation as Trustee and Depositary During Receivership

A suit by a bank for allowance of increased compensation as trustee, and depositary of consolidated mortgage bonds, during a railroad receivership had a happier ending for the bank than did the Illinois case above.

While stating that allowances for fees and expenses in receiverships and reorganizations must be just and reasonable, but moderate rather than generous, the court saw fit generally to grant the increased allowances requested.

The case indicates the tendency of the courts to take a liberal view of what constitutes a "reasonable fee" by an attorney—whether working for or against a bank. *Guaranty Trust Co. of N.Y. v. Seaboard Airline Ry., District Ct. E.D. Va. and S.D. Fla., 68 F. Supp. 639.*

Right to Property Found in Bank

Both New York and Illinois have recently held that property found in the safe deposit section of a bank shall be given into the custody of the bank as agent or trustee for its rightful owner.

In each case the courts decided that a safe deposit department which is entirely separate and apart from the public banking room and available only to a limited class of persons is a private place, and that the common law relating to property lost in a public place does not apply.

The courts did not hold that a bank becomes the owner of such property, but merely that, as trustee, the bank owes a duty to the rightful owner of the property, whoever he may be, and is therefore the lawful custodian of the property for the benefit of the rightful owner.

The courts seem to imply, however, that the rule of "finders keepers" might apply to the case of property found in public banking rooms. *Pyle v. Springfield Marine Bank (Ill.), 70 N.E. 2d 257; Cohen v. Manufacturers Trust Co. (N.Y.), 65 N.Y.S. 2d 791.*

Interlocking Directorates

The Supreme Court has held that a firm which does a "substantial" amount of underwriting is "primarily engaged" in underwriting, so as to make its employees ineligible to serve as bank directors, even though the underwriting does not constitute the major portion of the firm's business.

Reversing a lower court decision (BANKING, June 1946), the Supreme Court sustained the action of the Board of Governors of the Federal Reserve System in ordering the removal of two directors of a New Jersey national bank who were also employees of a firm which ranked ninth among the nation's leading bond underwriters.

An interesting concurring opinion by

(CONTINUED ON PAGE 68)

OUR METHOD OF OPERATION OF FIELD WAREHOUSES PLUS OUR INSURANCE COVERAGE SECURES YOUR LOAN

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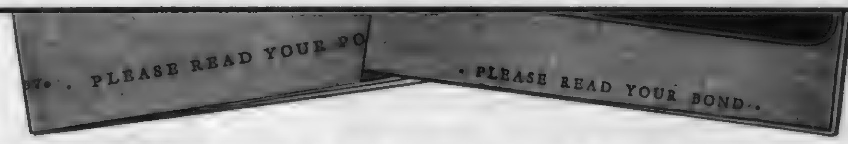

THE ST. LOUIS TERMINAL WAREHOUSE COMPANY, due to its careful operation of Field Warehouses for commodities of every description, enjoys the very best obtainable Warehousemen's Liability and Fidelity coverage, written by one of the country's leaders in this field, the Hartford Accident and Indemnity Company of Hartford, Connecticut.

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DALLAS 1, TEXAS Construction Bldg.	KANSAS CITY 6, MO. B.M.A. Bldg.	MEMPHIS 3, TENN. Farnsworth Bldg.

Justices Rutledge and Frankfurter contends that the Board of Governors, as specialists on banking matters, should have their decisions reviewable by the courts only for abuse of discretion. Their judgment in banking matters, according to the minority, should be overturned only where there is "no reasonable basis to sustain it or where they exercise it in a manner which clearly exceeds their statutory authority." *Board of Governors of the Federal Reserve System v. Agnew and Fayerweather, U.S. Sup. Ct. 6 January, 1947.*

Gift of Property in Safe Deposit

A notation that "This envelope belongs to Imogene Haigh" and the placing of the envelope in her safety deposit box constituted a valid gift of the contents of the envelope to the owner of the box.

It was so held in a recent New York case in which a woman had found such an envelope in her safe deposit box. The court presumed that the handwriting was that of one Van Wert, now deceased, and that he, having had access to the box under a power of attorney, had placed it there.

This was considered sufficient to establish a valid transfer by way of gift, so that the money and bonds in the envelope belonged to Imogene Haigh and were not a part of the assets of Van Wert's estate. *In re Van Wert's Estate, (N. Y.) 66 N.Y.S.2d 7*

Gift of Bank Deposit

That we can't have our cake and eat it, too, may be illustrated by a recent North Carolina decision.

A soldier serving in Italy had sent sums of money to his home-town bank for deposit in his account. He also wrote the bank a letter, telling of his plans for using the money after his discharge from the service, but adding that, in the event of his death, he wanted the money paid to his grandfather. The soldier died in Italy and the grandfather sued the bank for the money.

The North Carolina court held that the soldier's letter did not constitute a will, since it did not comply with the state statute of wills and, since title to the account had always been retained by the soldier, it did not create a trust for the grandfather, nor constitute a gift of the account to him.

Consequently the money was ordered paid to the soldier's administrator, for distribution to his next of kin. *Westcott v. First & Citizens National Bank, 40 S.E.2d 461.*

Bequest of "All Money I Have"

A clause in a will, which bequeaths "all the money I have," means all money in the testator's possession at the time of death, and does not include the proceeds of an insurance policy which accrued to the estate after death.

This was the ruling in a recent New Hampshire case in which the testatrix, who died in 1936, had left "all my money" to A, and the residue of the estate to B. Eight years later the testatrix' nephew, who had been missing since 1912, was declared dead and the proceeds of his "War Risk Insurance" policy paid over to his aunt's estate by the Government. The court denied A's claim for the proceeds under the "all my money" clause, and ordered it paid to B.

The court declared that it made no difference whether B took under the residuary clause of the will, or under another clause giving her the proceeds of "any insurance I may have," even though the testatrix had not known of her nephew's insurance policy, either at the time of making her will, or at the time of her death. *Kemp v. Dowling, 49 Atl. 2d 924.*

Declaratory Judgment Interpreting Will Not Matter of Right

The Massachusetts Supreme Court has ruled that while courts of equity jurisdiction in that state have inherent power to give declaratory judgments, they likewise have power to decline purely declaratory relief, and that generally they will refuse to give instructions to fiduciaries as to duties which need not be presently performed.

The question arose in a suit by a bank, trustee under a will, for a declaratory judgment interpreting that part of the will which provided that, at the decease of the last survivor of a number of life beneficiaries, the trustees should pay over the remaining sum of the trust in part to charity, and the balance to the testator's "heirs at law."

Although the time for distribution of the estate had not yet arrived, the petitioners sought the court's answer to the question of what the testator had meant by "heirs" and, in effect, whether the remainder interests in the trust were vested or contingent.

The Supreme Court held that the Probate Court had jurisdiction to declare the nature of the future interests, even long before the interests should come into possession, but that the petitioners were not entitled to a decree as a matter of right, and that the Probate Court had been within its rights in refusing to pass upon the question.

It was further held that the Probate Court's exercise of its discretion was open to review upon facts of each case.

In the instant case the Supreme Court weighed the desirability of present identification of property rights, and the convenience in adjusting taxes if the remainder should be declared vested, but decided that, in the absence of a pressing emergency, a present decision was unwarranted.

The court stated that the adoption of a theory that the mere existence of unascertained future interests gave cause for declaratory judgment would tend to foment litigation and the use of the courts to obtain legal advice, and to cause legal expenses which would deplete the trust, to the detriment of disinterested income beneficiaries—all of which could be avoided by postponing any decision until the time of distribution. *National Shawmut Bank of Boston v. Morey (Mass.), 70 N.E.2d 316.*

Liability of Bank for Depletion of Trust Funds

A testamentary trustee who invested heavily in railroad stocks, which declined 90 percent in value since their purchase in 1904, was not, under the circumstances, wanting in diligence, judgment and good faith so as to be liable for the estate's losses under the terms of the will creating the trust. The Massachusetts Supreme Court, in so finding, declared that the railroad stocks were "of a nature considered as proper for investment of trust funds" and that there had been no wilful default of the trustee's duty.

The court did declare that a wilful default of duty might be implied from an investment in comparatively unknown or speculative stock. However, it will have to remain for the court to decide future cases upon their own facts and circumstances, and to determine in each case just what it considers as "comparatively unknown or speculative stock." *New England Trust Co. v. Paine (Mass.), 70 N.E.2d 6.*

Trust Receipts Not Chattel Mortgages in Missouri

Trust receipts, according to a Missouri decision, are contracts creating bailments for sale. They are not chattel mortgages and need not be recorded. The title they give is good against the entire world.

The case which brought about the decision concerned a credit company which received trust receipts for automobiles which it bought from the manufacturer and shipped to a distributor for sale.

It was held that the distributor possessed and sold the cars merely as agent of the credit company. Title remained in the credit company and such title, as evidenced by the trust receipts, was good against the entire world, and superior to the claims of a security company which had loaned money to the distributor on chattel mortgages for the cars. *Commercial Credit Co. v. Interstate Co. (Mo.), 197 S.W.2d 1000.*

"I fixed 'em this year! Wait 'til they try to cash that check!"

Charitable Gift Does Not Revert to Donor

In addition to holding that there had been no proof that a New Jersey bank had improperly administered a charitable gift, the Court of Chancery of that state, in a recent case, stated that even if the bank had acted improperly, that fact would not have caused a completed charitable gift to revert to its donor, and that the same rule would apply in the case of a validly created charitable trust. *Mills v. Montclair Trust Co. (N.J.), 49 Atl.2d 889.*

Assignments by Bankrupt

Whether or not assignments of accounts by a bankrupt are avoidable as preferences under the Bankruptcy Act depends upon the time at which the assignments in question became effective, and federal courts will apply the law of the state in which an assignment became effective in order to determine when it became effective.

This was the ruling of the Circuit Court of Appeals for New Jersey in the case of a bankrupt New Jersey corporation which, several months prior to filing in bankruptcy, assigned its book accounts to a Pennsylvania corporation under a contract providing that Pennsylvania law would govern all assignments.

The assignor's debtors had not been notified of the assignments until five days before the assignor went bankrupt, and the trustee in bankruptcy sought to have the assignments voided as preferences under the Bankruptcy Act, which provides that an assignment of accounts within four months of filing in bankruptcy constitutes a preference.

It was held that the contract to assign was distinguishable from the actual assignments, that the bankrupt did business in New Jersey, with New Jersey customers, and deposited its funds in a New Jersey bank, that the assignments were made in New Jersey, and that New Jersey law therefore controlled.

The Federal Court then interpreted New Jersey law as holding that an assignment becomes effective at the time it is made, which in this case was more than four months prior to filing of the petition in bankruptcy, and concluded that the assignments, therefore, were not voidable as preferences. (*In re Rosen (C.C.A., N.J.) 157 Fed.2d 997.*

What Does the *Consumer* Know About Consumer Credit?

(CONTINUED FROM PAGE 35)

(7) Are you postponing it until you can get easier instalments?

Income Group

	Under $2000		*$2000 to $3000*		*$3000 to $5000*		*Over $5000*		*Average Percentages*	
	Rich.	*K.C.*	*Rich.*	*K.C.*	*Rich.*	*K.C.*	*Rich.*	*K.C.*	*Rich.*	*K.C.*
Yes	—	50%	20%	58%	—	15%	—	17%	5%	35%
No	100%	50	80	42	100%	85	100%	83	95	65

(8) If you were going to buy something—say a car—on instalments, how much more do you think it would cost you than if you paid cash?

Income Group

	Under $2000		*$2000 to $3000*		*$3000 to $5000*		*Over $5000*		*Average Percentages*	
	Rich.	*K.C.*	*Rich.*	*K.C.*	*Rich.*	*K.C.*	*Rich.*	*K.C.*	*Rich.*	*K.C.*
$1 for every $100 of unpaid bal.	—	11%	—	9%	—	—	—	—	—	5%
$2 for every $100 of unpaid bal.	—	17	—	—	6%	4%	—	5%	1.5%	6
$3 to $5 for every $100 unpaid bal.	40%	—	69%	13	55	28	25%	26	47	17
$5 to $10 for every $100 unpaid bal.	60	33	27	30	33	28	50	31	43	31
$10 to $15 for every $100 bal.	—	11	—	13	—	12	—	16	—	13
More than $15 for every $100 bal.	—	—	2	4	—	—	—	—	.5	1
Don't know	—	28	2	31	6	28	25	22	8	27

(9) If a loan is advertised at $6 per $100 a year, what percentage does this represent?

Income Group

	Under $2000		*$2000 to $3000*		*$3000 to $5000*		*Over $5000*		*Average Percentages*	
	Rich.	*K.C.*	*Rich.*	*K.C.*	*Rich.*	*K.C.*	*Rich.*	*K.C.*	*Rich.*	*K.C.*
6 percent	100%	67%	98%	83%	97%	88%	100%	95%	99%	83%
Another figure	—	—	—	4	—	4	—	5	—	3
Don't know	—	33	2	13	3	8	—	—	1	14

(10) If a loan is advertised at 6 percent discount, what is the yearly rate?

Income Group

	Under $2000		*$2000 to $3000*		*$3000 to $5000*		*Over $5000*		*Average Percentages*	
	Rich.	*K.C.*	*Rich.*	*K.C.*	*Rich.*	*K.C.*	*Rich.*	*K.C.*	*Rich.*	*K.C.*
6 percent	20%	5%	18%	34%	19%	40%	25%	32%	21%	28%
Another figure	—	11	—	1	—	3	25	—	6	4
Don't know	80	84	82	65	81	57	50	68	73	68

(11) If a loan is advertised at 2½ percent per month on unpaid balances, what is the yearly rate?

Income Group

	Under $2000		*$2000 to $3000*		*$3000 to $5000*		*Over $5000*		*Average Percentages*	
	Rich.	*K.C.*	*Rich.*	*K.C.*	*Rich.*	*K.C.*	*Rich.*	*K.C.*	*Rich.*	*K.C.*
2½ to 10%	—	—	—	4%	—	4%	—	5%	—	3%
10 to 15%	—	—	—	—	—	4	—	—	—	1
15 to 25%	—	17%	—	9	—	4	25%	—	6%	8
25 to 35%	—	—	2%	9	—	4	25	26	7	10
Over 35%	—	—	—	—	—	4	—	—	—	1
Don't know	100%	83	98	78	100%	80	50	69	87	77

(12) If a loan is advertised at 2½ percent a month on unpaid balances, what is the actual cost of a $100 loan for one year?

Income Group

	Under $2000		*$2000 to $3000*		*$3000 to $5000*		*Over $5000*		*Average Percentages*	
	Rich.	*K.C.*	*Rich.*	*K.C.*	*Rich.*	*K.C.*	*Rich.*	*K.C.*	*Rich.*	*K.C.*
$2.50 to $10	—	—	—	—	—	—	25%	—	6%	—
$10 to $15	—	—	—	—	—	4%	—	—	—	1%
$15 to $25	—	22%	—	30%	—	20	—	—	—	18
$25 to $35	—	17	—	18	—	12	25	16%	6	17
Over $35	—	—	—	—	—	—	—	—	—	—
Don't know	100%	61	100%	52	100%	64	50	84	88	65


COURT HOUSE

Trust Advertising's Human Interest Angles

"The trust business is full of human interest stories," says Allen Crawford, vice-president of the Bankers Trust Company of Detroit and of the Financial Advertisers Association. In a recent tour of eastern cities Mr. Crawford talked on the subject, "Are We Missing a Bet in Trust Advertising?"

To illustrate his point, Mr. Crawford recalls the case of the trust officer, fortunately one with a farm background, who "found himself in the position of having to milk five cows twice a day for a week or more, before being able to obtain sufficient competent help on a farm belonging to the estate under administration."

"I also number among my friends," continues Mr. Crawford, "a trust man who figuratively but not actually adopted two young orphans and raised them along with his own youngsters, thus providing a home atmosphere and guidance which all their future inheritance alone could not supply.

"If such incidents make good selling material in personal interviews, why don't we use them more often in our direct mail, in our display ads, or on the radio? They possess the ability to dress up a highly technical, frequently misunderstood and vitally essential service in attractive, quickly visualized garb. Such illustrations employed in personal interviews are frequently directly applied by the listener to his own personal situation and move him to early action.

"I believe we are missing a bet if we continue to ignore the human interest happenings in our business, or fail to transmit them properly to the general public through the mediums at our disposal — direct mail, display ads and the radio."

Time to Use Farm Mortgage Tests

(CONTINUED FROM PAGE 49)

(3) Records such as land classification maps, soil maps, and aerial photographs should be used to help determine the quality and productivity of the land in the territory and of the farm offered as security.

(4) Farm property offered as security should be appraised by a qualified person familiar with local farming practices and values. His report should show description of the land as to its productivity, types of soil, and its relative value with other farms in the community.

(5) The appraiser's report, which becomes a permanent record of the bank, should include full information as to the borrower and his family, his character and industry, his attitude toward conserving the soil and building up his property, and his experience and ability as a manager.

(6) In making an appraisal of the farm, first consideration should be given to the income which the farm is expected to yield at average farm prices over a period of years.

(7) Farm buildings should be appraised according to their usefulness to the business of the farm, on the basis of their contribution to the farm income rather than on their cost.

(8) Loans should be supported by adequate records—records that can be available, if necessary, to the bank examiners to confirm the judgment of the bank officers and directors who made the loan.

WASHINGTON

(Continued from page 41)

leaders are aiming at, is Mr. Truman's principal table of proposed 1948 expenditures listed in billions on a functional basis for the first time this year, as follows (in round figures):

National defense	11.3
Veterans' services and benefits	7.3
International affairs and finance	3.5
Social welfare, health and security	1.7
Housing and community facilities	0.5
Education and general research	0.08
Agriculture and agricultural resources	1.4
Natural resources not primarily agricultural	1.1
Transportation and communication	1.5
Finance, commerce and industry	0.4
Labor	0.1
General government	1.5
Interest on the public debt	5.0
Refunds of receipts	2.1
Total	37.5

What is misleading, in appraising the prospects, is that this classification suggests that administrative expenses are small, those expenses which might be amenable to curtailment.

Thus under "international affairs and finance" is found the administrative expenses of the Department of State. Under the classification "general government" of only $1.5 billion is included, with the exception of nearly $400 million for the administrative expenses of the War Assets Administration, only a small part of the cost of administration of the Government. It excludes also, among other things, the cost of the civilian personnel overhead of the War and Navy.

Thus, although difficult, the problem of reducing expenses by some four or five billions is not quite as tough as the President's budget, pitched on a functional basis, would show.

The Pay Criterion

One of the reasons why men such as Chairman Taber of the House Appropriations Committee is shooting at the "meat ax" method of cutting personnel, is that most people recognize that federal establishments are overstaffed. Whatever its virtues, civil service law makes as a chief criterion of promotion the increasing of one's staff. Men cannot be paid appreciably different salaries by their superiors for doing twice as good a job as someone else. The civil service laws usually classify jobs according to the number of people supervised, and the best way to get a raise is thus to get one's section enlarged to a division, or a division enlarged to a bureau, etc.

Under this policy bureau chiefs always seek to enlarge the number of people under their supervision, so as to raise their own ratings. If the "meat ax" method prevails, many people can be fired without curtailing the basic efficiency of the Government—so think those who are trying to perform a major cut in the number of federal personnel.

Whether this is achieved remains to be seen, and won't be known for a certainty until late in the session. The new federal "legislative budget" is not in a true sense a budget. It is an admonition to Congress to look at both sides of the budget at the same time. It is not a rule which bars appropriations above the ceiling. Only if Congress abides by the ceiling, will it finally prevail.

Hence too much should not be expected from this procedure. A true budget is more readily achieved under a system wherein the executive and legislative establishments are linked to the same political fortunes, and answerable to representatives of the voters, as in Britain. However much a President may wish to hold down over-all expenses, a department head is recognized for the services he can perform or the benefits he can distribute. And only if the head policy man of a government department is also responsible to a national legislature can his imagination as to where there might be savings have a chance to come into play.

So, while the new Congress aims to cut say, $5 billion from the expenditures of the Government and thus permit a tax reduction of several billions, at the same time reducing the debt to some extent, it will not be known for a certainty whether such a job can be done until the last appropriation is made, probably late in Spring or early this Summer. Until then the banks and business cannot know what the Government's fiscal picture will be, within a range of from $2 billion to $4 billion.

"Of all people—Mr. Perkins! When did the vice-presidents start sneaking out for 10 o'clock coffee?"

Reserve Policy

(CONTINUED FROM PAGE 44)

Is Easy Money Beneficial?

During recent years some have argued that a permanently low level of interest rates is desirable both on economic and on "social" grounds. Since interest charges are an expense item for many businesses, low rates presumably permit either lower prices or higher wages. It is also contended, especially by public officials, that cheap money encourages business expansion. Banking leaders, however, who should know something about the reasons that determine business plans for expansion, do not appear to be much impressed by this theory.

Another argument advanced for low interest rates is that they "relieve the burden on taxpayers and debtors." The obvious reply is that this occurs only at the expense of creditors, including many millions of owners of savings deposits, life insurance policies and government securities. Moreover, most taxpayers are creditors on balance and so are most individuals who have some debts and are sometimes carelessly classed as "debtors." The figures show beyond doubt that the chief borrowers of funds are not the struggling poor, as some would seem to imply, but corporations and federal, state and local governments.

Concern has been expressed at times that low interest rates might discourage thrift. The large volume of savings in recent years, however, has tended to allay these fears.

Most of the bankers who participated in the survey for BANKING are not especially apprehensive about the probable long-run effects of easy money upon the economy as a whole. They are considerably less enthusiastic about the alleged virtues of low rates than Treasury officials, for example, but most of them do not regard a 2½ percent rate on long-term Treasury borrowing as being particularly harmful. Several stated that they consider it to be beneficial in comparison with a substantially higher rate.

The Pattern of Rates

But that does not by any means imply approval of the very low rates now prevailing on short-term securities nor of the present control policies of the Federal Reserve System.

Since 1942, the cornerstone of Federal Reserve policy has been to maintain the Treasury's borrowing rates on new issues of marketable securities at ⅜ of 1 percent on 90-day bills, ⅞ of 1 percent on one-year certificates of indebtedness and a maximum of 2½ percent on long-term bonds. This has been accomplished by standing ready at all times to buy unlimited quantities of Treasury bills from commercial banks at a fixed rate of discount of ⅜ of 1 percent and by purchasing Treasury certificates in the open market whenever necessary to keep these securities quoted at small premiums above par.

These purchases of Treasury bills and certificates on a vast scale created new member bank reserve balances and permitted a multiple expansion of bank credit to finance the war. This credit expansion enabled the Treasury to sell large quantities of longer dated obligations to non-bank investors at 2¼ and 2½ percent and also enabled the banking system to absorb the increase in the public debt which non-bank investors were unable or unwilling to absorb at the rates offered.

A policy of this character was imperative during the war. With bank earnings rising and with a war in progress, there was little criticism of the low rates established for the short-term securities which were offered to the banks. Today, however, more than a year and a half after V-J Day, with most other wartime controls completely removed and with bank earnings tending to decline, the wisdom of maintaining the rigid wartime pattern of interest rates is being seriously questioned.

Of the bankers and economists who took part in the symposium, only a few expressed complete satisfaction with the Reserve Board's present policy. There was less unanimity, though, as to precisely what alternative should be adopted.

"Is the carriage trade welcome, too?"

Allan Sproul, president of the Federal Reserve Bank of New York, has recently urged that short-term rates should be "defrosted," in other words that the Federal Reserve System should cancel its commitment to support the rates which now prevail on Treasury bills and certificates. He does not advocate any appreciable or immediate change in rates but he thinks that the System should be in a position where it can make some modest change in them if the occasion should arise. He argues that the injection of even this small element of uncertainty into the rate picture might enable the Reserve System to exert some degree of control over the volume of bank credit, whereas today it has virtually none.

Leading bankers and economists are practically unanimous in endorsing Mr. Sproul's recommendation. Some indicated that they agree with his reasons. Others seem to be interested chiefly in obtaining higher short-term rates and like the proposal primarily because it is a step in that direction.

Just how much significance would the defrosting of the short-term rate structure actually have? Mr. Sproul admits that such a program would be "weak medicine in terms of combating inflation" but points out that "the very size of the public debt and of the bank holdings of the public debt have made the money market much more sensitive to relatively modest action than was formerly the case."

One midwestern banker observes, however, that "it is difficult to see how there could be much flexibility or uncertainty in short-term rates when the Treasury has maturities each month." Several suggested that defrosting would probably have very little meaning as long as the monetary authorities continue to place so much emphasis upon keeping the interest charges of the Treasury at a minimum.

The Cost of the Debt

The overall purpose of credit policy has traditionally been to contribute to economic stability and progress, not to maintain low rates for Treasury borrowing. Today, however, with the carrying charges of the national debt amounting to about $5 billion annually, this factor obviously cannot be ignored in the determination of monetary policy. How much weight should it be given?

Officials of the Treasury and of the Federal Reserve Board apparently feel that it is of the utmost importance to keep the cost of the public debt from rising. The survey conducted for BANK-

ING indicates that bankers and bank economists, by and large, think that this viewpoint is too extreme. Many agree that a very substantial increase in the debt service should be avoided. On economic grounds, however, they see little justification for making a fetish of any particular level of annual interest charges.

Several would go still further. One highly regarded bank economist states that an "appreciable increase in the interest charges on the federal debt . . . may be very necessary as a means of controlling the total volume of credit. Central bank policy should be based on considerations other than the effect of that policy upon the cost of the debt."

Another banker approached the problem from a different angle: "Any appreciable increase in bank earnings from government securities would place banks in a vulnerable position to political attack."

In the judgment of most bankers, a moderate increase in the cost of the debt would be a small price to pay if higher rates actually would help to maintain economic stability. As a southern bank president put it: "The first essential in the management of the public debt should be to get away from the idea that the only cost of the debt to the people of this country for carrying the public debt is the interest cost." The vital question, therefore, is whether higher short-term rates really would produce beneficial results to the economy under existing conditions.

Effects of Higher Rates

The chairman of the Federal Reserve Board clearly set forth his views on this question in a recent address: "There is no reason to suppose that even if the short-term rate were increased to as high as $1\frac{1}{4}$ or $1\frac{1}{2}$ percent, it would be of any value in combating inflationary dangers. . . . It would not reduce the existing money supply. It would not reduce consumption. It would add nothing to production—the basic need of the hour. It would have no real bearing as an anti-inflationary factor."

Some bankers are in general agreement with this viewpoint. The chief economist of one of the largest banks in the country says: "I think it is doubtful if, in a period of urgent demand for bank credit, the bank rates to customers accompanying even a $2\frac{1}{2}$ percent certificate rate would make much difference." A New England banker considers higher short-term rates as being "possibly effective as one means (of combating inflationary tendencies) but far less important than other factors, such as increased production." He adds: "I very much question how much additional non-bank money would be attracted by an increase from $\frac{7}{8}$ percent to perhaps $1\frac{1}{4}$ percent." There is also the important question of what might happen to quotations for longer term bonds if short-term rates were to be permitted to rise.

Other bankers, nevertheless, believe that higher short-term rates would reduce the pressure on banks to shift

ASSOCIATED NEWSPAPERS

Among the other dwarfs

from short-term to longer dated issues in order to maintain earnings. With the Federal Reserve System supporting the market for short-term Treasury issues, net liquidation of these securities by commercial banks tends to result in increased purchases by the Reserve banks, and these purchases, in turn, create additional reserve balances, which permit a multiple expansion of bank credit.

Many would concur with the following comment by the president of a large New York bank: "The temptation on the part of banks to sell short-term securities to the Federal Reserve Banks and to replace them with longer term obligations may be especially strong if the present rate structure is rigidly maintained."

The Federal Reserve Board has also expressed concern over this possibility. In its latest annual report, however, it rejected higher short-term rates as a solution and proposed instead three alternative propositions as being "worthy of consideration":

(*1*) *Giving the Board additional power to raise member bank reserve requirements.*

(*2*) *Empowering the Board to limit the amount of long-term securities that individual banks may hold.*

(*3*) *Empowering the Board to require banks to hold a specified percentage of Treasury bills and certificates as "secondary reserves" against their deposits.*

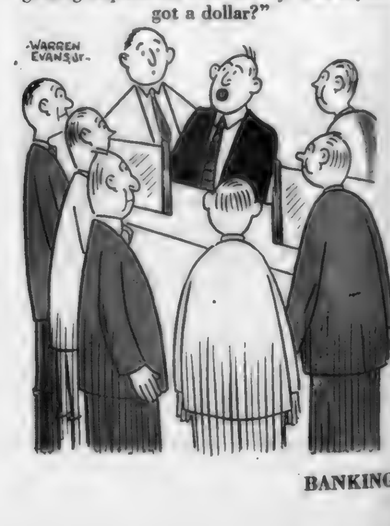
Bankers are practically unanimous in their opposition to the first of these proposals. Several pointed out that an increase in reserve requirements would be futile as long as the Reserve System continues to create additional reserve balances by its policy of supporting the Treasury's existing rate pattern. Furthermore, as one eastern banker observed: "The Reserve Board does not need greater powers over member bank reserve requirements. The open-market portfolio of the Reserve Banks is large enough to absorb any increase in reserves resulting from gold imports or currency retirement."

As for placing limitations either by law or regulation upon the amount of long-term securities a bank is permitted to hold, not one single banker or economist had one single good word to say for this idea. Regimentation of bank investment policies is naturally repugnant. Moreover, if such a limitation were to be at all effective, it would have to be so severe that it would be grossly inequitable to thousands of banks. Even then, it would be a very clumsy instrument of credit management.

With respect to the third suggestion listed above, opinions were not solicited because the Board has not spelled out in any detail what kind of a security reserve plan it has in mind or how it would operate. Most bankers, of course, would naturally be skeptical of any proposal of this type. A few economists, however, did suggest that this approach might have possibilities.

Under present-day conditions, the powers and policies of the Federal Reserve System constitute only part of the money management picture. Still more important in some respects are the financing policies of the Treasury Department. These will be considered in the next article in this series.

"We'll start our teller training program by getting acquainted with money. Has anyone got a dollar?"



The Trend in Bank Pension Plans

(Continued from page 37)

Though the plans of all the associations listed above, with the possible exception of Kentucky, are insured, those offered by Michigan and Maine employ some novel features. Each of these two associations has approved and given its name to a plan and a trust indenture made available to all its members. Within the broad terms of these two documents each bank creates its own plan with whatever variations it wishes. Benefits are much the same as those offered in other state plans, with some additions. One added feature is that an employee transferring from one participating bank to another may carry his membership with him.

The several plans within each of these two states apparently have little relationship to each other, except that they follow generally the association formulas. Each bank selects its own trustee to whom the individual contracts issued by the insurance company run for the benefit of the participants, and also may choose any insurance company committed to write that type of plan. The greater flexibility created by the various options allowed each bank is cited as a means of enabling it to participate on a basis calculated better to meet its individual requirements.

Still different types of plans were made available in much the same manner by other state associations. The New York State Bankers Association inaugurated one for its members in 1938, the Savings Banks Association of the State of New York established its plan in 1941, and the Savings Bank Association of Massachusetts announced its plan in 1943. All of them differ from the first group of plans in that they are not insured. They are pension trusts. The trustees make all investments and disbursements through to final payment of all benefits, with the exception that under the Massachusetts plan past service benefits may be purchased from an insurance company.

These trusteed plans provide benefits rather similar to those growing out of the earlier mentioned insured plans, plus some additional ones. Both of the New York plans allow disability benefits, and, in addition to return of employee contributions, they make payments for deaths occurring while in service. The Massachusetts Savings Bank plan, likewise, has a disability benefit, though modified somewhat, and upon death of a participant in service his contributions are returned, together with those of the employer intended for future service benefit purchases. Likewise, these two savings banks plans, together with the one established by the Savings Banks Association of Connecticut, permit memberships to continue without interruption when employees shift from one participating bank to another.

All of the state association plans still are being maintained. Some have expanded more than others, reflecting perhaps varying degrees of effort put into the organization work and the subsequent task of explaining their objectives, and also of keeping the availability of the plans before the association's members. But the point to be kept in mind is that they were created for a specific purpose, and that they accomplished it in a manner which encourages other associations to follow the same course.

The activities of state associations in this respect do not end at this point, though. A number of them, not especially interested in this type of service heretofore, are at work presently developing retirement plans for their members, and some new ones may be offered for enrolment within the next few months.

Group Banking Organizations

The multiple-bank type of pension plan is not the instrument of state bankers associations exclusively. Instead, it is used very successfully, also, by various other units composed of numbers of banks having some common relationship. In this classification are a number of well known group banking organizations, large and small, each of which, in this manner, provides coverage for its affiliated institutions wherever they may be located. Some of their plans are the insured group annuity type. A few use insured individual contracts, and others operate under pension trusts with one bank or trust company in the group named as trustee. Several hundred banks, under this form of organization, employ this type of pension plan.

I WILL NOT!

Single Bank Sponsors

So far these comments have been restricted to plans each of which covers a number of banks banded together in some sort of an organization. This organization is the creature of the constituent banks and under their collective direction, but it is also their spokesman for the purposes of the plan. The group or multiple-bank arrangement, as respects management and also participants, runs throughout all of these plans and is their distinguishing feature. Just about one-half of the total number of banks providing retirement benefits are enrolled in systems of this character.

The other 50 percent of the banks under retirement coverage use plans of several types and many variations, but they have the common distinction of being headed or sponsored or directed by single banks or trust companies acting in their individual capacities. Such of them as cover numbers of banks collectively provide coordinated management service for the entire groups.

One form of plan is that established for the officers and employees of a single bank but offered, also, to such other banks as wish to join within the same state or trade area or even beyond. Usually each participating bank, in one form or another, has some direct or rather constant business association with the sponsoring bank. Sometimes the correspondent bank relationship is the common link. The sponsoring bank, if the plan is insured, acts as the intermediary between the insurance company and the participating banks. The key bank's work is much the same as that performed by state bankers associations and the plan is similar to the ones they provide. The difference, though, is that management of this type of plan centers in a single bank instead of an association.

Pension Trusts

A more recent development of this same general idea by at least two banks, one in Pennsylvania and another one in North Carolina, is the establishment of an over-all plan in the nature of a pen-

sion trust exclusively for the accommodation of banks and other financial institutions. It is a multiple-bank plan designed for the use of numbers of subscribing banks with which the sponsoring bank may have no other affiliation or business relationship. The sponsoring bank acts as trustee. Each subscribing bank executes a complete plan drawn within the framework of the master agreement. In one of the two master plans, though, some details of each subscribing bank's plan may be varied moderately by means of a supplemental agreement if modifications are desired or found necessary to cover special conditions.

In other respects, also, the provisions of these two master plans differ, but they are alike in the principle of administration. They are maintained by individual banks as trustees for the benefit of participating banks and their staffs. With all the enrolled banks thus covered by plans of substantially uniform character, much of the managerial work can be done for them collectively by a single agency. This is the function the sponsoring banks undertake to perform. They advise and counsel on matters of organization of constituent bank plans, they furnish needed actuarial services, and in their capacity as trustees they make and service all investments on a principle somewhat similar to that of the common trust fund.

Plans for Individual Banks

The form of pension plan not yet touched upon, but which is used by perhaps 35 percent or 40 percent of the total estimated 1,100 or 1,200 banks covered by retirement plans, is that maintained separately by individual banks for their officers and employees alone. Most of the larger institutions are in this class. It includes banks of all sizes but, as has been stated, frequently some of the smaller ones prefer to join with others to achieve certain advantageous forms of administration.

In these individual bank plans are employed all the different methods of fund building and management used in the multiple-bank projects. They include all the forms recognized by pension planners as desirable.

Profit-Sharing Retirement Plans

Still another form of retirement benefit plan, in some fundamental respects unlike those mentioned above, and based upon a different though thoroughly practical concept, employs the recognized principle of profit sharing. It is not known so well as the pension plan and, therefore, is written less frequently. It is a newer device, conforming to specific statutory requirements, and using the services of a trustee to gather and invest and preserve the funds until retirement time or longer. Though it is governed by much of the same law that applies to pension trusts, and is definite in its requirements, it differs in numerous ways and is distinguished particularly by the fact that it does not rest upon actuarial calculations. It accumulates the share of profits allocated to each participant each year, and at retirement time the total amount credited to the individual is his fund to be distributed in whatever manner may be provided by the trust agreement. This type of plan may be used by banks large and small, singly and in groups, and because the contributions required each year are geared to net earnings, it is looked upon as being unusually adaptable and, therefore, it is well regarded.

The Executive Committee of the Trust Division meeting in advance of the Trust Conference

50th Anniversary Trust Conference

"IT HAS been a most successful trust conference—not only in attendance, but also in quality of the program and the attentiveness of the audience," said Evans Woollen, Jr., president of the Trust Division of the American Bankers Association, at the close of the 28th annual Mid-Winter Trust Conference at the Waldorf-Astoria Hotel in New York last month, at which the 50th anniversary of the Trust Division was commemorated. Mr. Woollen is president, Fletcher Trust Company, Indianapolis.

More than 1,700 trust men from 39 states and the District of Columbia attended the conference. Delegates also included 16 Canadian trust men, three Bermudians, one Hungarian, in addition to 14 representatives of foreign banks located in New York.

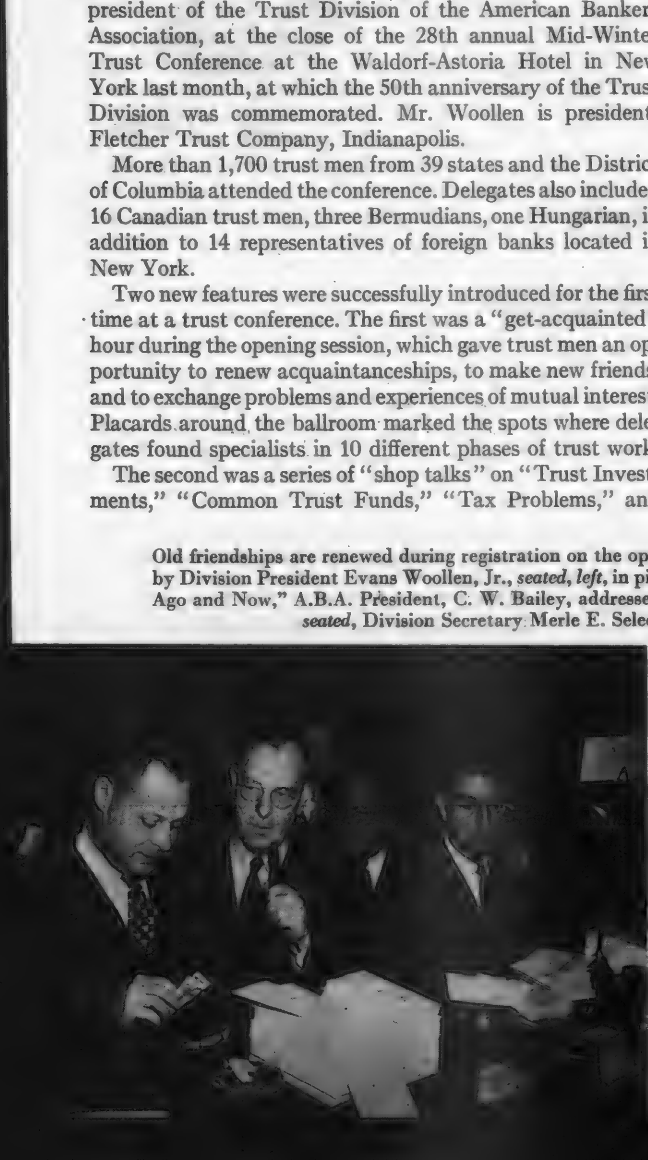
Two new features were successfully introduced for the first time at a trust conference. The first was a "get-acquainted" hour during the opening session, which gave trust men an opportunity to renew acquaintanceships, to make new friends, and to exchange problems and experiences of mutual interest. Placards around the ballroom marked the spots where delegates found specialists in 10 different phases of trust work.

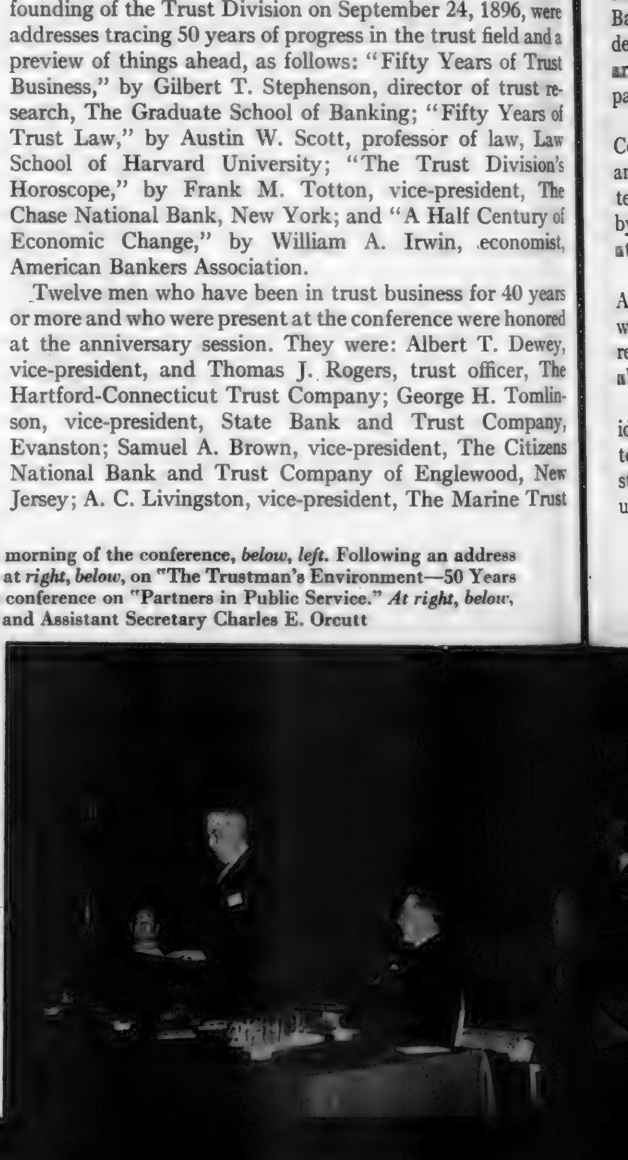
The second was a series of "shop talks" on "Trust Investments," "Common Trust Funds," "Tax Problems," and "Problems of Smaller Trust Departments," each being led by an authority in the field.

Features of the 50th anniversary session marking the founding of the Trust Division on September 24, 1896, were addresses tracing 50 years of progress in the trust field and a preview of things ahead, as follows: "Fifty Years of Trust Business," by Gilbert T. Stephenson, director of trust research, The Graduate School of Banking; "Fifty Years of Trust Law," by Austin W. Scott, professor of law, Law School of Harvard University; "The Trust Division's Horoscope," by Frank M. Totton, vice-president, The Chase National Bank, New York; and "A Half Century of Economic Change," by William A. Irwin, economist, American Bankers Association.

Twelve men who have been in trust business for 40 years or more and who were present at the conference were honored at the anniversary session. They were: Albert T. Dewey, vice-president, and Thomas J. Rogers, trust officer, The Hartford-Connecticut Trust Company; George H. Tomlinson, vice-president, State Bank and Trust Company, Evanston; Samuel A. Brown, vice-president, The Citizens National Bank and Trust Company of Englewood, New Jersey; A. C. Livingston, vice-president, The Marine Trust

Old friendships are renewed during registration on the opening morning of the conference, *below, left*. Following an address by Division President Evans Woollen, Jr., *seated, left*, in picture at *right, below*, on "The Trustman's Environment—50 Years Ago and Now," A.B.A. President, C. W. Bailey, addressed the conference on "Partners in Public Service." *At right, below, seated*, Division Secretary Merle E. Selecman and Assistant Secretary Charles E. Orcutt





Delegates at a general session of the trust conference, *above, left*. Trust Division leaders, *above, right*, conferring informally with A.B.A. Vice-president Joseph M. Dodge, *center*, who is president, The Detroit Bank. With Mr. Dodge, *left to right*, Secretary Selecman, Division Vice-president R. M. Alton; Executive Committee Chairman H. M. Bardt; and President Woollen

Company of Buffalo; George Merritt, assistant vice-president, United States Trust Company of New York; Richard Gregory Page, vice-president, The Bankers Trust Company, New York; Henry E. Schaper, assistant vice-president, United States Trust Company of New York; William H. Stackel, vice-president, Security Trust Company of Rochester, New York; R. W. Sprague, vice-president, National Bank of Commerce, Seattle; Irving P. Rexford, vice-president, Crown Trust and Guarantee Company, Montreal, and Robert P. Jellett, president, The Royal Trust Company, Montreal.

Alexander C. Nagle, chairman of the Clearing House Committee of the New York Clearing House Association and president of the First National Bank of New York, extended greetings of the clearinghouse at a luncheon given by the Clearing House Association for the trust delegates at the conclusion of the conference.

In his address "The Trust Man's Environment—50 Years Ago and Now," President Woollen pointed out that if wealth were redistributed, as is advocated by some, it is reasonable to assume that it would not be "the same in the absence of the institution of inheritance."

"A second unwarranted assumption in the redistribution idea is that the redistribution, if made, would really amount to any considerable benefit to those in the lower economic stratum," said Mr. Woollen. "It is true that their lot is in unhappy contrast with that of the most fortunate in society,

During the "get-acquainted" hour, groups like the above were found at each of the 10 "booths" spaced around the Waldorf-Astoria ballroom for informal discussion with specialists in trust activity

but the numbers in the lower stratum are so great that, if a melon is cut, each man's share is very small; and if the share comes in the form of governmental largesse, a high price is paid in the weakening of moral fiber."

All speeches delivered at the conference will be reprinted in forthcoming issues of the *Trust Bulletin*.

President Woollen talks with trust men during "get-acquainted" hour, *below, left*. A.B.A. Executive Manager Harold Stonier in *center, background*, and Division Assistant Secretary Genieve N. Gildersleeve, at Mr. Woollen's right. A.B.A. Economist William A. Irwin addressing the 50th anniversary session, *below, right*, with 40-year trust men seated behind speakers' dais

PHOTOS BY LESTER & WEIMAN

BANKING NEWS

A.B.A. Savings-Mortgage Conference to Study Bank Investment, Personnel, Housing Problems

A big two-day program has been prepared for the eastern regional savings and mortgage conference sponsored by the A.B.A. Savings Division in New York, March 6 and 7. Advance registrations indicated a large attendance.

Speakers scheduled to address the bankers include Joseph M. Dodge, A.B.A. vice-president, and president of The Detroit Bank; W. Randolph Burgess, former president of the Association and vice-chairman of the board, National City Bank of New York; Joseph Stagg Lawrence, vice-president, Empire Trust Company, New York, and a frequent contributor to BANKING; Adrian M. Massie, vice-president, The New York Trust Company; and Fred F. Spellissy, Division president and executive vice-president, Market Street National Bank, Philadelphia.

Corporate Bond Project

A feature of the program is the presentation of preliminary results of the corporate bond project being executed by the National Bureau of Economic Research for the Division in cooperation with committees of several banking and insurance organizations. This research will provide banks with factual information on the long term behavior of securities.

Comments on the project are scheduled to be made by J. Reed Morss, chairman of the Savings Division's Committee on Investments and president of the Boston Five Cents Savings Bank; Dr. R. J. Saulnier, director of the Bureau's research program; and other members of its technical committee, including Mr. Massie. The report will be made at the afternoon meeting of the conference's first day.

Dr. Burgess' topic, at the same session, is "The National Debt and Savings and Interest Rates." The speaker is chairman of the A.B.A. Economic Policy Commission.

Personnel problems will be considered at one meeting, with Mr. Lawrence discussing "Six Basic Phases of Personnel Relations" and a demonstration of supervisor training led by Robert C. Rutherford, assistant secretary, A.I.B.

The second morning will be devoted to another demonstration, "a mortgage committee in action." The committee of a hypothetical bank with $10 million in savings deposits and a $3 million mortgage portfolio will consider new loan applications from the standpoint of such factors as appraisal policy, construction cost trends, building problems, competitive factors, rate structure, loans to veterans and lending policy.

Participants are L. A. Tobie, Division vice-president and president, Meriden (Conn.) Savings Bank, chairman; Kilgore Macfarlane, executive vice-president, Schenectady Savings Bank; Homer Feltham, mortgage officer, Springfield (Mass.) Institution for Savings; Albert W. Lockyer, appraiser; and Hayward S. Cleveland, of the American Legion Special National Housing Committee.

At the final session housing and mortgages provide the theme. Robert A. Jones, executive director, Middle Atlantic Lumberman's Association, will talk on "The Industry-Engineered Home;" Howard B. Smith, director, A.B.A. Department of Real Estate Finance, "Trend of the Housing Program;" and Mr. Dodge, "Standards for Mortgage Investment."

18 New Members

Eighteen banks joined the American Bankers Association in January, reports Max Stieg, cashier of the Dairymen's State Bank, Clintonville, Wisc., chairman of the Organization Committee. One of the new members is the First National Bank of Boston, Rio de Janeiro.

Personal Thrift Book Is Being Revised

The A.B.A. Savings Division is planning a revised edition of its popular booklet, "Personal Money Management" which, first published in 1941, is for "all who need assistance in the managing of their income."

As reissued for distribution by banks to the public, the booklet will again include budgeting suggestions, but it is expected that the expense allocation will be changed, especially on food and clothing, to meet present-day conditions.

Also, the editors are considering setting up all allocations on an "after income taxes" basis.

A.B.A. GI Committee to Confer With VA

The A.B.A. Committee on Service for War Veterans will confer in Washington Mar. 20 and 21, with Veterans Administration officials on improved lending procedures for GIs.

Three Country Bank Meetings

Salt Lake City, Omaha, and Birmingham were the scenes of country banking conferences held last month under auspices of the A.B.A. Small Business Credit Commission in cooperation with the Agricultural Commission and the Country Bank Operations Commission.

The meetings took place between BANKING's press time and the appearance of this March issue, so it was impossible to report them in the current number and our coverage has been postponed to the April magazine.

The programs were designed to emphasize the importance of the country banks in the national economy and to suggest ways in which they can be of greater service to their communities.

Banks' Part in Land Conservation Is Told in New A.B.A. Manual

Specific Conservation Measures Are Set Forth

The future of our towns and cities depends upon maintaining the fertility and productivity of the farm land surrounding them, says C. W. Bailey, president of the American Bankers Association, in the foreword to a new manual, "What Bankers Can Do About Soil Conservation," just been published by the Agricultural Commission.

"Proper soil management is not merely a farm problem," Mr. Bailey points out.

"Thousands of country banks are encouraging conservation farming in their home communities. They are alarmed about the loss of soil fertility that is resulting from soil-wasting farm practices prevalent in most states.

What Banks Can Do

"Bankers—both country and city bankers—are justly alarmed and are anxious to do something about it. They have raised many questions concerning soil conservation. Answers to these questions are given in the five chapters of this manual. They constitute a body of facts that bankers should know if they are to give intelligent aid and support to conservation programs."

Stressing that "soil conservation means a permanent agriculture," the manual recommends specific measures including strip cropping, contouring, terracing, use of crop rotations, mulching, gully control, field and gully planting, diversion channels, grassed waterways, use of lime and superphosphate, and pasture development or improvement.

While most conservation work is done by individual farmers under the supervision and with the aid of the Soil Conservation Service and the agricultural extension agents of the state colleges, banks may assist in the formation

(continued on page 83)

Need for Management Training in Banks Is Stressed by Krick at Commission Meeting

Important problems faced by bank operating officers were discussed at the annual executive meeting of the A.B.A. Bank Management Commission held at the Roosevelt Hotel, New Orleans, Feb. 6–7. E. V. Krick, chairman of the Commission, and senior vice-president and cashier of the American Trust Company, San Francisco, presided.

During the two days of executive sessions, the Commission considered an agenda of 25 items, including extension of banking services in the community; bank service charges; management training; dates for holding annual meetings of bank stockholders; the proper accounting technique for handling reserves; banks as fiscal agents of states; and the preparation of several management manuals and booklets.

Management Training Needed

Mr. Krick told the Commission that because banking is the one business in which officers and executives are drawn almost entirely from the ranks of employees, there is a need in banking for more emphasis on management training.

"While banking education is being effectively carried on through the American Institute of Banking, and The Graduate School of Banking," he said, "there appears to be a need for supplementary management training activities which will develop skills in leadership and the administration of the various departments of banks.

"An approach to the solution of this problem has been made by the job relations program, and the job-instructor training program adapted for use in banking during the war years by the American Institute of Banking.

"The fact that every man and woman employed in a bank can look forward to advancement is one of the strengths of banking. But if we are to improve the quality of banking service to meet the needs which are developing in every community, we must have management training to aid the people we are making responsible for the management of our banks. This training not only must prepare bank people for supervising personnel in carrying on operations in the banks, but must be adaptable to administration and formulation of policy to guide conduct of departments such as consumer credit, agricultural credit, investments, and other banking functions."

Check Standardization

Substantial sums lost through delays in transit and mistakes in handling will be saved for business firms and individuals when the Commission's check standardization program is adopted universally, R. C. Tait, vice-president of the Mellon National Bank and Trust Co., Pittsburgh, reported.

Mr. Tait, who heads the Commission's Committee on Check Standardization, said: "Because of the fact that millions of checks are handled daily in banks, and it is the one operation which is on a 'production line' basis, we are endeavoring to do everything possible to make checks easier to handle and to have the essential information on the face of checks available and easily found in the interest of speed and accuracy in handling."

New Routing Symbol Is Now on 25% of Checks

A quarter of the checks clearing through the Federal Reserve banks now bear the routing symbol introduced jointly by the A.B.A. Bank Management Commission and the Federal Reserve System in June 1945, reports E. V. Krick, chairman of the commission.

A year-end survey made by the System indicates that 83.7 percent, or 10,048 of the 12,005 banks whose checks clear through the Reserve banks, are using the symbol on a portion of their checks, and in the approved location. This is a substantial increase from the 74.8 percent correctly using the symbol on September 30, 1946.

There is also a continued decrease in the number of banks using the symbol in other than the approved location, Mr. Krick said. As stocks of old checks are used up, the use of the check routing symbol is becoming universal, he reported.

Reserves Before Taxes Question Is Studied

ACME

At the meeting of the A.B.A. Subcommittee on Taxation, *clockwise*, Messrs. Patton, Quaremba, Meyer, Schulman, Needham, Harl (hidden), Wiggins, Miller, Rossiter, Stark, Mylander, Cocke, Swanson, and Gibson

The Subcommittee on Taxation of the A.B.A. Committee on Federal Legislation met recently in the Association's Washington office with representatives of the FDIC, the Comptroller of the Currency, Federal Reserve Board, and National Association of State Bank Supervisors, and with Glen T. Gibson, president, Nebraska Bankers Association, Carl G. Swanson, secretary of that association, and E. W. Rossiter, president of the Bank of Hartington, Hartington, Nebraska.

The purpose of the meeting was to study further the establishment of reserves before taxes by banks in the light of the present difficulties in the use of the "reserve method" under regulations of the Bureau of Internal Revenue, and to enlist the cooperation of the bank supervisory authorities in solving this problem.

This meeting followed an earlier meeting of the subcommittee last December, attended by Mr. Needham and Mr. Rossiter, at which a preliminary study of this problem was initiated. Progress is being made in developing a plan whereby banks desiring to do so can make greater use of the "reserve method" for treating bad debt losses for federal income tax purposes.

Land Conservation

(*continued from page 82*)

and operation of local soil conservation districts, the manual points out. The banks can encourage their farm customers to form a conservation district in counties where they have not been organized.

Bank loans to individual farmers to finance the cost of conservation measures are not a "big potential source of new business for banks, but very important for the good they can do," the manual says in reviewing the lending experience of several banks which have been outstanding in extending conservation credit. These loans are repayable from the increased yields resulting from the sound conservation practices.

Home Builders Study Outlook for Financing

Howard B. Smith, director of the Department of Real Estate Finance of the American Bankers Association, participated, with 13 representatives of other financial groups, in a panel discussion on the "Financial Outlook and Availability" at the annual convention and institute of the National Association of Home Builders in Chicago on Feb. 20–27.

The discussion centered around the need for an over-all housing bill such as the Wagner-Ellender-Taft bill, and a rate of interest on long term FHA mortgages on owner-occupied homes that would interest various types of investors.

A.I.B. Council Foresees Long Period of Growth

Nationwide Revival of Activity Under Way

Revival of American Institute of Banking activity in every section of the country was reported at the recent midwinter meeting of the organization's Executive Council in New York.

Councilmen reported in detail on developments in their territories and expressed the belief that the Institute faced a long period of progress.

Arrangements for the annual convention in Detroit, June 2-6, were discussed. The Council also considered plans for the A.I.B.'s golden anniversary three years hence, naming Clarence R. Chaney, vice-chairman of the board, Northwestern National Bank, Minneapolis, as chairman of the 50th Anniversary Committee.

A tribute to the late Richard W. Hill, for 23 years national secretary of the Institute, was adopted. The Council sent a congratulatory message to A. L. M. Wiggins, former A.B.A. president, upon his appointment as Under Secretary of the Treasury.

A feature of the meeting was a luncheon honoring past national presidents and past Council members living in the New York area.

While in New York, councilmen and national officers of the Institute were guests of honor at the annual banquet of New York Chapter.

George J. Greenwood, A.I.B. national president, presided at the business meetings.

WEIMAN & LESTER

The A.I.B. Executive Council stops work for a picture

Tribute to Dick Hill

The A.I.B. Executive Council's tribute to the late Richard W. Hill follows:

"Richard W. Hill was eminently fitted, both by training and by experience, to be national secretary of the American Institute of Banking, an office he held with distinction for 20 years. Having been denied many of the advantages of formal education in his youth he studied so diligently in his adult life that he achieved a high degree of competence in law, in accounting, in public administration, in the effective use of precise English, and in the art of public speaking. He had a genius for organization and unusual ability in the handling of detail. In addition to these acquired and native talents he was gifted with tireless energy, and he gave it without stint to the duties of his office.

"Adult education was his consuming interest. To its extension he gave his full-hearted devotion and zeal. He was inherently a modest and a humble-minded man, and it was characteristic of him to give to others the credit for the success of the organization to which he contributed so much.

"His name has an honored place in the history of the organization, and its Executive Council thus places on record the profound gratitude of the Institute for his long period of faithful and fruitful service."

This memorial has been embossed and signed by every member of the council and will be presented to Mrs. Hill in a leather-bound book.

CALENDAR

American Bankers Association

Mar. 6-7	Savings and Mortgage Conference, Hotel Pennsylvania, New York
Apr. 13-15	Executive Council Meeting, French Lick Springs Hotel, French Lick, Indiana
June 2-6	American Institute of Banking, Annual Convention, Book-Cadillac and Statler Hotels, Detroit, Michigan
June 15-28	Graduate School of Banking, 13th Resident Session, Rutgers University, New Brunswick, New Jersey
Sept. 28-Oct. 1	Annual Convention, Atlantic City, New Jersey

State Associations

*Mar. 27-29	Arizona, Bright Angel Lodge, Grand Canyon, Arizona
*Mar. 27-29	New Mexico, Bright Angel Lodge, Grand Canyon, Arizona
Apr. 3-5	Florida, Boca Raton Club, Boca Raton
Apr. 7-8	Louisiana, Roosevelt Hotel, New Orleans
May 5-7	Missouri, Hotel Muehlebach, Kansas City
May 7-8	Georgia, DeSoto Hotel, Savannah
May 8	Delaware, Hotel duPont, Wilmington
May 8-9	Oklahoma, Mayo Hotel, Tulsa
May 8-9	Tennessee, Andrew Johnson Hotel, Knoxville
May 9-10	South Carolina, Ocean Forest Hotel, Myrtle Beach
May 13-14	Mississippi, Buena Vista Hotel, Biloxi
May 14-15	Indiana, Claypool Hotel, Indianapolis
May 14-16	Kansas, K. C. Forum, Wichita
May 15-16	Alabama, Battle House, Mobile
May 15-16	Maryland, Marlborough-Blenheim Hotel, Atlantic City, New Jersey
May 15-16	Massachusetts, New Ocean House, Swampscott
May 15-17	New Jersey, Hotel Traymore, Atlantic City
May 19-21	Illinois, Palmer House, Chicago
May 20-22	Texas, Rice Hotel, Houston
May 21-22	Ohio, Neil House, Columbus
May 21-23	Pennsylvania, Hotel Traymore, Atlantic City, New Jersey
May 26-28	Arkansas, Arlington Hotel, Hot Springs
May 26-28	California, Hotel del Coronado, Coronado Beach
May 29-30	North Carolina, George Vanderbilt, Asheville
May 29-31	Virginia, The Cavalier, Virginia Beach
June 4-8	District of Columbia, Bedford Springs Hotel, Bedford Springs, Pennsylvania
**June 7	New Hampshire, Wentworth by the Sea, New Castle
June 11-12	Minnesota, St. Paul Hotel, St. Paul
June 12-14	Colorado, Hotel Colorado, Glenwood Springs
June 15-17	New York, Chateau Frontenac, Quebec, Canada
June 16-17	North Dakota, Bismarck
June 19-21	Michigan, Statler Hotel, Detroit
June 20-22	Maine, Poland Spring House, Poland Spring
June 20-21	South Dakota, Cataract Hotel, Sioux Falls
June 23-25	Wisconsin, Hotel Schroeder, Milwaukee
Oct. 6-8	Iowa, Hotel Fort Des Moines, Des Moines
Oct. 8-10	Kentucky, Brown Hotel, Louisville

Other Organizations

Mar. 5	Eastern Secretaries Conference, Hotel Pennsylvania, New York
Apr. 10-12	Pacific Northwest Conference on Banking, Washington State College, Pullman, Washington
Apr. 14-15	Mortgage Bankers Association of America, Eastern Mortgage Clinic, Waldorf-Astoria Hotel, New York
May 8-9	Southwestern Mortgage Clinic, Hotel President, Kansas City, Mo.
May 25-29	National Savings & Loan League, New Ocean House, Swampscott, Massachusetts
**June 7	Savings Banks Association of New Hampshire, Wentworth by the Sea, New Castle, New Hampshire
June 9-12	American Industrial Bankers Association, Denver, Colorado
Sept. 11-13	Savings Banks Association of Massachusetts, New Ocean House, Swampscott, Massachusetts
Sept. 14-17	Savings Banks Association of Maine, Poland Spring House, Poland Spring, Maine
Sept. 15-22	U. S. Savings & Loan League, San Francisco, California
Oct. 3-4	New York State Safe Deposit Association, Waldorf-Astoria Hotel, N. Y.
Oct. 22-25	National Association of Bank Auditors and Comptrollers, Baltimore, Maryland

*Joint Meetings **Joint Meetings

HEARD ALONG MAIN STREET

Madame President

MAIN STREET tips its hat this month to a woman bank president, Miss LOY FREEMAN, new head of the First National Bank of Athens, Texas.

Her selection by the board of directors, reports the Dallas *Morning News*, "was no mere courtesy gesture, but rather a logical recognition of ability."

"She started with the bank as a stenographer in 1924. Promotions came rapidly and she was vice-president when elevated to her present post.

Miss Freeman

"Known to business associates, farmers and townspeople in general as Loy, Miss Freeman looks more like junior's favorite teacher than a banker, but her sage counsel has steered many a client through perilous financial storms."

"My real interest in banking," she said, "dates back to a bit of advice that J. W. Murchison, then president, gave me the year I went to work. He told me of the responsibilities bankers must shoulder and of the confidences they must respect. He told me also how a banker's error in judgment might bring ruin to others. It was a little frightening at first, but I was given a new slant on my job. The more I learned about banking, the more it fascinated me. It still holds that fascination."

Active in community affairs, Miss FREEMAN helped organize the Athens' Professional Woman's Club and is a past president. A few years ago she took a course in banking law offered by the American Institute of Banking in Tyler, Texas. Her recreations are hunting, fishing and horseback riding.

Banking, she believes, is essentially a man's field.

"If a woman is sufficiently interested in it," she says, "there's no reason why she shouldn't go to the top, but as a rule the profession has a greater appeal to men than to women."

"Beyond the Demands of Duty"

MEET Miss MARJORIE SALISBURY and HOMER A. HOBBS, country bankers from Beatrice, Nebraska. They're winners of the Employee Recognition Award made annually by The Beatrice State Bank for "effort over and beyond the demands of duty," and they were selected by their staff colleagues. Miss SALISBURY won in 1946 and Mr. HOBBS in 1945, the year the award was established by President RICHARD W. TREFZ.

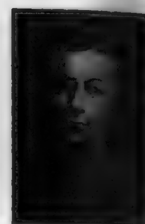
The prize is a weekend, at the bank's expense, in the midwestern city of the winner's choice. Miss SALISBURY chose Denver, Mr. HOBBS, Chicago.

In Miss SALISBURY's six years with the bank she's never been on time. Reason: she's always early.

"Marjorie's nominations," reports Mr. TREFZ, "all mentioned her cheerfulness and pleasant disposition. She will write a chattel mortgage after 4 o'clock in the afternoon, if need be, spending half an hour untangling the borrower's jumbled description, and be as gracious about it as though she had been presented with an orchid. She has a very thorough knowledge of her work which comprises payroll, preparation of real estate and chattel mortgages, and secretarial work, if any time is left."

Mr. HOBBS, assistant cashier with 22 years of service, was selected because his colleagues considered him unusually well versed in the mechanics and detail of operation, always willing to help others. Those who nominated him also

Mr. Hobbs



Miss Salisbury

mentioned his unusual loyalty and devotion to his work. His three-day Chicago visit, with travel to and from Beatrice in a bedroom on a streamliner, included some plays, a call at the Chicago office of the American Bankers Association, a trip around the city with A.B.A. Deputy Manager ROBERT W. KNEEBONE as his guide, and a tour of a large bank. He went back to Beatrice convinced that he'd rather work in a country bank.

Selections for the award have thus far been made by secret ballot of the staff, each of whom had to give a definite reason for nominating a candidate, but beginning this year the choice will be made by the two most recent selections, with Mr. TREFZ as the third member of the jury.

Guaranty Trust Changes

A number of important changes have taken place in the management of Guaranty Trust Company of New York. J. LUTHER CLEVELAND, formerly president, is now chairman of the board, and WILLIAM L. KLEITZ, formerly a vice-president, is president. Mr. CLEVELAND succeeds EUGENE W. STETSON, who has retired after 30 years of service, but continues as a director and member of the executive committee.

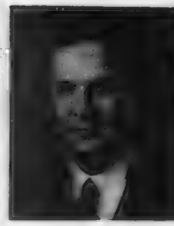
Mr. CLEVELAND has been with the Guaranty since 1923. He was appointed

(CONTINUED ON PAGE 88)

a vice-president in 1928 and became associated with the general management of the bank as vice-president in 1940. He served as president for three years.

Mr. KLEITZ joined the staff in 1919, became an officer the following year, and was appointed a vice-president in 1928. A year ago he became associated with the general management of the bank.

W. PALEN CONWAY continues as chairman of the executive committee.


Mr. Kleitz


Mr. Cleveland

R. I. Hospital Trust

Changes in the executive personnel of the Rhode Island Hospital Trust Company of Providence include the resignation of PRESTON H. GARDNER as chairman of the board, election of G. BURTON HIBBERT, president for 10 years, to the chairmanship, and advancement of Vice-president RAYMOND H. TROTT to the presidency.

Mr. GARDNER has been associated with the trust company for more than 62 years, starting his long career as a clerk. He became board chairman 10 years ago. Much of his spare time has been devoted to participation in the work of welfare organizations. He continues as a director and trust committee member.

Mr. HIBBERT's banking career began in Providence in 1900. He, too, started as a clerk and has been with the trust company since 1904. He is deputy treasurer of Brown University and a member of its board of trustees and several university committees.

Mr. TROTT has been president of the Rhode Island Bankers Association. He has served on the Executive Council of


Mr. Hibbert


Mr. Trott

the American Bankers Association and as vice-president of the New England Council and has been a member of that organization's executive committee. He joined the Rhode Island Hospital Trust Company staff in 1919.

Directors of the Rhode Island Hospital National Bank, wholly-owned commercial banking subsidiary of the trust company, elected Mr. TROTT as the bank's president.

W. F. Augustine

WILLIAM F. AUGUSTINE, vice-president of The National Shawmut Bank, Boston, and active in the American Bankers Association, died February 9 of a coronary thrombosis. He was 61 years old.

Mr. Augustine was a member of the A.B.A. Executive Council and a former treasurer of the Association. He had also served as president of the National Bank Division, of the State Association Section, and of the old Clearing House Section.

A native of Richmond, Virginia, he worked his way through Richmond College as a grocery store clerk, and after graduation joined the staff of the Merchants National Bank in Richmond, becoming vice-president. He had been

vice-president of the Shawmut since 1927.

Mr. AUGUSTINE was also a vice-president of the Hingham (Massachusetts) Trust Company, a trustee of the Franklin Savings Bank of Boston, and a director of the Melrose (Massachusetts) Trust Company. He had held the chairmanship of the bankers' committee of the New England Council and was treasurer of the Massachusetts Bankers Association.

Moths Are His Hobby

ROLAND R. MCELVARE, senior vice-president and trustee of the Bank for Savings of the City of New York, in addition to organizing a public relations program that has expanded the bank's service to the public, is an entomologist of note, being the leading scientific authority on a sub-family of noctuid moths, the Heliothunae (sun-loving).

Mr. MCELVARE contributes specimens from his working collection of moths to museums in the United States and Canada. His interest was aroused while living near the Children's Museum in Brooklyn during his childhood. The field is so extensive that he realized he should restrict his study to one branch of the family tree.

There is one distinctive moth in this group with which practically every housewife and gardener is familiar. It is the caterpillar found in corn when the husk is removed, and exists from Canada to Argentina.

Some months ago Mr. MCELVARE requested a sabbatical leave as a member of The Graduate School of Banking faculty in order to have more time to devote to his scientific work with moths.

BANKER-TEACHER COLLABORATION

Entertainment for the annual educator-banker banquet sponsored by Los Angeles Chapter, American Institute of Banking, was provided by, *left to right*, Rod MacLean, Union Bank & Trust Company; George Clark, Farmers and Merchants National Bank; C. R. Blakely, California Bank; and Ex-banker G. B. Robinson. Guests included Los Angeles high school principals, teachers of commercial subjects, and placement counsellors. The meetings are designed to create a better understanding of banks among educators


Mr. McElvare


Mr. Herrmann

At the G.S.B. he instructs in savings management.

Another hobby of Mr. McElvare's is the telescope; however, he observes the stars and planets solely for pleasure and does not make it a scientific study.

Mr. McElvare is chairman of the Subcommittee on School Savings of the Savings Division of the American Bankers Association. Before joining the Bank for Savings, he was second vice-president, National Bank of Commerce, New York.

Joseph M. Herrmann is the new personnel director of the American National Bank and Trust Company of Chicago. He was recently vice-president and general manager of Workman Service, Inc., Chicago, and formerly had charge of the personnel department of the Peoples Gas Light and Coke Company. He has extensive experience in personnel and office management work.

Herbert F. Rawll, president of Christmas Club Corporation and originator of that savings plan in 1910, died recently in Greenwich, Connecticut. A native of England, Mr. Rawll came to this country as a boy. He served with the United States air force in World War I.

C. M. Nelson has relinquished the cashiership of The Northern Trust Company of Chicago and will devote his time to his general duties as vice-president of the banking department with special responsibility for correspondent bank relations. He was cashier of the bank for 24 years.

Mr. Nelson was succeeded in that position by William M. Haddow, who has been on the staff since 1926.

Mr. Rawll

Mr. Nelson

United States Trust Company of New York has elected to its presidency BENJAMIN STRONG, formerly first vice-president. He succeeds WILLIAMSON PELL, president since 1938, who has become board chairman, a post vacant since 1942.

Mr. STRONG has been with the bank since 1933 when he joined the staff as a vice-president. He is a veteran of the first World War, having served in the A.E.F. as a first lieutenant. He was formerly with the National Bank of Commerce, New York, J. Henry Schroeder & Company, London, International Acceptance Bank, and the Bank of the Manhattan Company, New York.

Mr. PELL joined the trust company as assistant secretary in 1912. He became vice-president in 1920 and was first vice-president from 1927 until his election as president.

WALTER BRAUNSCHWEIGER has been elected executive vice-president of Bank of America, Los Angeles. He has been with the bank in an executive capacity for 24 years; during the past five years he has divided his time between Los Angeles and San Francisco. He is chairman of the bank's public relations committee and a member of several other important committees.

A leader in civic, state and national affairs, Mr. BRAUNSCHWEIGER is now vice-president of the United States Chamber of Commerce, representing the western states, Alaska, Hawaii and the Philippines. He is a former president of the Los Angeles Chamber of Commerce.

Important anniversaries are crowding upon 82-year-old GEORGE W. FELTER, president of the Green Point Savings Bank of Brooklyn, New York.

Mr. FELTER recently completed 40 years of service as a trustee of the bank and early in 1947 was reelected to the presidency for the 30th consecutive year. Last October he rounded out 62 years of service in banking. He works every day from 9 A.M. to 3 P.M., and until noon on Saturdays.

Major General HARCOURT HERVEY, active in the U.S. Army and the California National Guard for nearly 30 years, has been elected a vice-president of Security-First National Bank, Los Angeles. He commanded the 40th Division during its last operations on Panay and Negros and was division artillery commander in the unit's other campaigns of World War II. In addition to his work at the bank, with which he has been associated since 1922, he is now reorganizing the 40th Infantry Division of the C.N.G.

HARVEY D. GIBSON, president of the Manufacturers Trust Company of New York, is national chairman of the 1947 American Red Cross drive, which is seeking $60 million during March. Mr. GIBSON, who had the same post in last year's campaign, was Red Cross Commissioner to France in World War I and subsequently directed all the organization's activities in Europe. In World War II the New York banker was Commissioner to Great Britain and western Europe.

W. H. Smith, *left*, managing partner of Merrill Lynch, Pierce, Fenner & Beane, New York investment firm, signs contract with CBS President Frank Stanton, for the first television program sponsored by a financial house

E. H. DEININGER, formerly in the sales finance department of the Fifth Third Union Trust Company, Cincinnati, has joined the staff of the Second National Bank of Houston to open a similar department.

Extra-Curricular

ROBERT A. CATHARINE, president of the Dollar Savings Bank, New York City, and of the Savings Bank Association of New York State, has been named to the state banking board to fill the unexpired term of the late PHILLIP A. BENSON, ending March 1, and to serve a full three-year term.

DE BANKS M. HENWARD, vice-president of the Syracuse (New York) Trust Company, is chairman of the new banking law section of the New York Bar Association.

IRA L. HART has resigned as Arizona superintendent of banks and on March 15 joins the staff of the Bank of Douglas.

R. C. MORRIS, vice-president, Bankers Trust Company of New York, has been elected chairman of the Government Security Dealer Group, which works in close cooperation with the Federal Reserve Bank of New York in its operations for the account of the open market committee.

Eighteen employees of the Peoples First National Bank & Trust Company of Pittsburgh who have been with the bank 40 years or more recently received watches as tokens of their service. In making the awards President ROBERT C. DOWNIE called attention to the fact that 140 members of the staff, or 18 percent, had served the bank at least 25 years.

JAMES M. KEMPER, president of the Commerce Trust Company, Kansas City, Missouri, has been elected to the Federal Advisory Council, succeeding A. E. BRADSHAW, president of the National Bank of Tulsa.

THOMAS C. SPENCER, vice-president of the Second National Bank of Houston, received a diamond pin in recognition of his 31st anniversary with the bank. THOMAS K. DIXON was honored for 35 years' service as a director.

ARTHUR T. LEONARD, senior vice-president of the City National Bank and Trust Company, Chicago, has been elected vice-president of the Chicago

Association of Commerce and Industry.

Frank L. King, president of California Bank, Los Angeles, has been named a branch banks director of the 12th Federal Reserve District for a two-year term.

Chemical Bank and Trust Company, New York, has purchased a block front in the downtown financial district on the west side of Broadway between Liberty and Cedar streets. In his annual report Chairman Frank K. Houston said the property was "a very desirable location for a future home when building conditions permit."

The Citizens National Bank of Waco, Texas, has a new employee pension plan.

Laurence G. Payson has resigned as a vice-president of Bankers Trust Company, New York, to become assistant director of New York Hospital.

D. E. (Pat) Cronin is now executive manager of Rand McNally & Company's bank publications and systems division, with headquarters in Chicago.

Mark A. Brown, executive vice-president of the Harris Trust and Savings Bank, Chicago, is the new president of the Chicago Clearing House Association. He succeeds Adolph Floreen, vice-president of City National Bank and Trust Company. David H. Reimers, president of the Live Stock National Bank, is vice-president of the association, replacing Frank McNair, director of Harris Trust.

Raymond B. Cox, president of the Webster and Atlas National Bank of Boston, has been elected president of the Boston Clearing House Association to succeed Thomas P. Beal, president of the Second National Bank. Mr. Cox is a past national president of the American Institute of Banking.

William F. Ferguson recently completed 40 years of service with The Bank for Savings, New York City, of which he is vice-president.

Eric Johnston, president of the Motion Picture Association of America and former head of the United States Chamber of Commerce, has been elected to the directorate of the American Security and Trust Company of Washington, D. C. . . . Laurance S. Rockefeller, son of John D. Rockefeller, Jr., is a new director of the Chase National

Mr. Rockefeller

Mr. Diercks

Bank of New York. . . . George W. Woodruff, member of the executive committee of the Coca-Cola Company, was recently named to the board of directors of the Trust Company of Georgia, Atlanta.

Elections

The following bankers have been elected to the positions mentioned:

Wilford R. Diercks, vice-president, Federal Reserve Bank of Chicago.

Ralph R. Emery, Lloyd E. Graybiel, Roy L. Barber, vice-presidents, American Trust Company, San Francisco.

Frank H. Schmidt, executive vice-president, California Trust Company.

F. O. Shelton, vice-president and trust officer, The Fort Worth National Bank.

Mr. Nabers

Mr. Terrell

HARVEY TERRELL, DRAYTON NABERS, vice-presidents, The First National Bank of Birmingham, Alabama.

ALBERT E. CLEERE, vice-president and comptroller, First National Bank in Houston.

DOUGLASS W. POTTER, executive vice-president, ROBERT H. SLATER, WALTER M. ROSS, vice-presidents, First National Bank, Louisville, Kentucky.

RICHARD A. BOOTH, president, WILLIAM H. SMITH II, treasurer, Springfield (Massachusetts) Institution for Savings.

JAMES W. LUKE, vice-president, FRED H. GREEN, cashier, JOHN R. MCHENRY, auditor, Commercial National Bank, Peoria, Illinois.

CARROLL L. BENOY, vice-president, The First-Knox National Bank, Mount Vernon, Ohio.

ALBERT S. CURRIE, trust officer, First Paterson (New Jersey) National Bank & Trust Company.

Mr. Hemingway

Mr. Culver

LOUIS L. HEMINGWAY, president, the Second National Bank, New Haven, Connecticut.

ROBERT A. CULVER, executive vice-president, The Tennessee Valley Bank, Knoxville, Tennessee.

R. W. ENGLISH, executive vice-president, Merchants and Farmers Bank and Trust Company, Leesville, Louisiana.

W. A. CAMPBELL, vice-president and trust officer, The Orange (Texas) National Bank.

H. A. WHITE, vice-president and executive officer, Escalon (California) State Bank.

H. W. CAIN, executive vice-president, The Farmers National Bank, Somerset, Kentucky.

H. J. OLSON, vice-president, Western National Bank, Duluth.

H. G. PYLE, vice-president and secretary, Central Bank Company, Lorain, Ohio.

J. H. CHAPMAN, JR., executive vice-president, The Peoples National Bank, Pulaski, Virginia.

FRANK A. MOLUMBY, president, Bank of Evansville, Illinois.

E. R. CROCKETT, W. W. MITCHELL, vice-presidents, The First National Bank of Memphis.

GEORGE M. HAWN, president, The First National Exchange Bank, Clayton, New York.

D. H. HAMRIE, vice-president, Republic National Bank, Dallas.

R. A. RADFORD, vice-president, The Citizens & Southern National Bank, Atlanta.

ALFRED O. CLAVE, vice-president, Central National Bank, Chicago.

SAM CAMPHOUSE, vice-president, WILLIAM CASSIN, cashier, Farmers and Merchants National Bank, Los Angeles.

RALPH J. STOWELL, vice-president, National Bank of Commerce, Seattle.

Mr. Stowell

Mr. Cassin

WHEREVER YOU GO—

YOU SEE BURROUGHS MACHINES

WORKMAN SERVICE, INC., of Chicago, Minneapolis and Los Angeles, serves more than 1500 business concerns throughout the country, handling business "overloads" in calculating, tabulating, typing and transcribing. Since 70% of this huge volume of work is calculating, the use of Burroughs Electric Calculators is significant. More than 300 Burroughs Electric Calculators are in use or on order to handle assignments accurately, swiftly, at low cost.

In business after business, Burroughs has won the respect of those responsible for efficient handling of figures. They turn to Burroughs first—because they have learned that Burroughs *is* first in meeting their needs:

First in Machines . . . with the most complete and flexible line, the latest time-saving features, the most modern machine developments.

First in Counsel . . . with thorough knowledge of procedures, most progressive ideas to meet changing conditions.

First in Service . . . with the best trained service men, the finest service methods, the most convenient service arrangements.

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IN SERVICE

FIGURING, ACCOUNTING, STATISTICAL AND CASH REGISTERING MACHINES • NATIONWIDE MAINTENANCE SERVICE • MACHINE SUPPLIES

Real Estate Loans of Insured Banks

A "SUDDEN INCREASE" of more than $1 billion in the real estate loans of insured banks during the first half of 1946, most of which occurred in commercial banks, is analyzed in the report of the Federal Deposit Insurance Corporation. The June 29 total was $8,831,110,000.

Despite a 23 percent rise in these loans in insured commercial banks to a total of $5,740,361,000 during the period, says the report, "such loans do not constitute a very large part of total assets," averaging 4 percent as of June 29 last. Loans on residential properties provide the largest component, accounting for two-thirds of the increase in total.

"However, this represented only a 21 percent increase in loans on residential properties as compared with a 22 percent increase in loans on farm land and a 29 percent gain in loans on other properties," the FDIC points out.

"The relative increases in loans on residential properties and in loans on other properties were not the largest in the highly urbanized states such as Massachusetts, New Jersey, New York, Ohio and Pennsylvania, but rather in the far western and some of the southern states. Similarly, the relative increases in loans on farm land were not the largest in important farming states in the Middle West, but, again, in the far western and some of the southern states.

State Increases

"By states, the increase in total real estate loans ranged from 70 percent in Oregon to 8 percent in the District of Columbia. In dollar amount, the major part of the increase in total commercial bank real estate loans during the first half of 1946 occurred in those states, such as California, Illinois, Michigan, New Jersey, New York, Ohio and Pennsylvania, in which the bulk of such loans are concentrated. Although increases in real estate loans in those states were substantial, they did not represent spectacular relative increases.

"The largest percentage increase for each type of real estate loan was shown by the national banks. The rate of increase in the real estate loans of state banks members of the Federal Reserve System was higher than for non-member banks in the case of loans on other properties."

Figures for Mutuals

Analyzing the figures for insured mutual savings banks, the report said the real estate loans of these institutions amounted to $3,090,750,000, an increase of less than 2 percent in the first half of 1946 as compared with the 23 percent rise for insured commercial banks.

"This low rate of increase was primarily due to the predominance in the total of the insured mutual savings banks in the State of New York which had about 80 percent of the total assets of all insured mutual savings banks and 90 percent of total real estate loans. Consequently, the 1 percent increase in the real estate loans of insured mutual savings banks in New York heavily outweighed the higher percentage increases shown by the banks in other states."

Insured mutuals' real estate loans in Oregon showed a 21 percent rise, the largest gain.

Other Organizations

For Soil Conservation

THE North Carolina Bankers' Association is again this year sponsoring a soil conservation speaking contest. Competition will be open to high school boys and girls in 45 counties. Last year only 12 counties were included.

Prudent Man Rule

The Committee on Trust Subjects of the New Jersey Bankers Association has adopted a resolution recommending to the association that the "prudent man rule" of investment be made the subject of state legislation to replace the existing statute with respect to investments by fiduciaries.

The present law contains various qualifications which bonds and preferred stocks must meet before they may be purchased by fiduciaries. The "prudent man rule" now prevails, either by statute or court decision, in 17 states, among which are all six of the New England states and Delaware. It is also known as the Massachusetts rule, since it was established in that state in 1830 by court decision, in the case of *Harvard College v. Amory*.

Savings Legislation

The Savings Banks Association of New York State has adopted a program for 1947 having as its major points the full support of all-year Saturday closing, the right to invest in Canadian bonds, an increase in the savings bank life insurance limit to $5,000 from the present $3,000 and outright termination of the mortgage moratorium.

Savings Bankers Meet

More than 400 officers of savings banks throughout the country attended the mid-winter meeting of the National Association of Mutual Savings Banks on February 4 at the Commodore Hotel in New York.

Chief interest of savings bank executives attending this first mid-winter conference on a nationwide basis was centered on problems of investment, public and employee relations, and mortgages. The meeting was arranged on a panel discussion plan.

PANEL DISCUSSION IN CALIFORNIA

The panel on cost analysis and its relation to bank management at the recent bank management conference of the California Bankers Association. *Left to right*, Claude H. Morrison, vice-president and cashier, First National Trust and Savings Bank of San Diego; George R. Amy, secretary, American Bankers Association's Country Bank Operations Commission; O. T. Jones (moderator of the panel), controller, American Trust Company, San Francisco; O. B. Larsen, vice-president and cashier, Pajaro Valley National Bank of Watsonville; L. E. Friese, vice-president, Security-First National Bank of Los Angeles; W. C. Neary (chairman of the session), cashier, Union Bank & Trust Company of Los Angeles

Florida Bulletin

A two-page mimeographed bulletin of the Florida Bankers Association gives members up-to-the-minute news on important events, legislation, publications of interest, bad check artists at large, real estate statistics and a variety of other subjects covered briefly.

Auditors-Comptrollers

The New York City Bank Comptrollers and Auditors will act as hosts at the Twelfth Annual Eastern Regional Convention of the National Association of Bank Auditors and Comptrollers, April 21–23. The participants in the convention will come from the entire eastern part of the country.

The Western Michigan Conference of the same organization will sponsor the Tenth Mid-Continent Regional Conference at Grand Rapids, April 7–9.

Responsibility to Public

The public interest aspects of banking were stressed by Joseph M. Dodge, vice-president of the American Bankers Association and president of The Detroit Bank, at the opening session of a joint meeting in Milwaukee of the Wisconsin Bankers Association and the Small Business Credit Commission of the American Bankers Association.

"The functions of banking," said Mr. Dodge, "have such a vital relationship to the economy that even as a system of private enterprise they can be conducted as such only with public approval and consent. It is for this reason that banking must be unified and consistent in understanding what is good and what is not good for the business."

New Publication

Volume 1, Number 1, of *The Badger Banker*, published by the Wisconsin Bankers Association, made its appearance in January. Printed on four pages and punched for loose-leaf filing, the publication contains news and timely information that make it a valuable addition to the number of state association publications.

(CONTINUED ON PAGE 100)

The Main London Office, shown at left, is located at 32 Lombard Street—a thoroughfare famous for its centuries-old association with British and international finance.

Below—Big Ben and the Houses of Parliament.

Our Main London Office reaches the *Half Century* mark

Established in March, 1897, as one of the earliest branches of any American bank in Europe, our Main London Office has provided uninterrupted service throughout a period witnessing the strains and dislocations of two World Wars. Other branches, in England and on the Continent, are our London branch in Bush House, and our branches in Paris and Brussels.

These branches afford to American banks, companies, and travelers and residents abroad, the facilities of American banks with American methods, with intimate knowledge of European conditions and enjoying long-established relationships with important European banking and business organizations.

To our correspondents in the United States the services of these branches are of special value in connection with foreign trade financing, service to their officers and customers who travel, and for first-hand information on conditions abroad. We welcome inquiries regarding any phase of our service.

Guaranty Trust Company of New York

140 Broadway, New York 15

Fifth Ave. at 44th St. New York 18	Madison Ave. at 60th St. New York 21	40 Rockefeller Plaza New York 20
LONDON 32 Lombard St., E.C. 3 Bush House, W.C. 2	PARIS 4 Place de La Concorde	BRUSSELS 27 Avenue des Arts

Member Federal Deposit Insurance Corporation

(CONTINUED FROM PAGE 98)

Proceedings Available

Printed proceedings of the recent annual convention of the Commercial Finance Industry may be had by writing to the National Conference of Commercial Receivable Companies, Inc., 29 Broadway, New York 6, N. Y. The price is $5.

Eastern Secretaries

The Eastern Secretaries Conference will hold a regional meeting at the Hotel Pennsylvania in New York on March 5. Kenneth McDougall, executive manager, Savings Banks Association of Massachusetts, Boston, is conference president.

Historical Directory

The New York State Bankers Association announces publication of a *Historical Directory of the Banks of New York State*, which has been compiled by William H. Dillistin, general auditor of the Federal Reserve Bank of New York.

The directory includes the name of every banking organization that is now operating or has ever operated in the State of New York, and contains approximately 4,300 bank names, beginning with the Bank of New York, founded in 1784. Information included covers dates of organization, location and brief references to changes that have occurred, such as mergers, successions, dissolutions, etc.

The directory will be offered to members of the state association at $6, and to other individuals and banks at the same price if the printed supply is sufficient.

Wisconsin Pamphlets

Two companion pamphlets just issued represent the combined effort of the Wisconsin Bankers Association's bank management committee and the University of Wisconsin's School of Commerce, Bureau of Business Research and Service.

One, entitled *Report on Bank Cost Study*, was compiled for the bank management committee by J. C. Gibson, associate professor of accounting at the University. Data for the report were gathered in 17 Wisconsin country banks.

The title of the other pamphlet is *Checking Account Service Charges*. It is further subtitled as "A Method Recommended for Country Banks and a Description of the Elements Comprising Each Service Charge Item." It was prepared by the state association's bank management committee.

Fifty-Seventh

Annual Statement

DECEMBER 31, 1946

ASSETS

United States Government Bonds		$13,245,553.18
State, Municipal and other Gov't Bonds		447,041.49
Railroad Bonds		14,250.00
Preferred and Guaranteed Stocks		3,044,975.00
Common Stocks		6,113,864.00
TOTAL BONDS AND STOCKS		$22,865,683.67
Cash in Banks	$2,436,362.76	
Cash in Offices	120,974.04	2,557,336.80
Premiums, not over three months due		646,957.12
Accrued Interest		58,039.43
Other Assets		615,977.26
TOTAL ADMITTED ASSETS		$26,743,994.28

LIABILITIES

Reserve for Unearned Premiums		$ 4,345,017.06
Reserve for Losses and Claims		3,919,119.53
Reinsurance Reserves		1,990,405.85
Funds held under Reinsurance Treaties		1,123,754.97
Commission and Accounts Payable		412,367.94
Federal, State and Other Taxes		297,518.52
TOTAL LIABILITIES		$12,088,183.87
Voluntary Reserves:		
Contingencies	$1,125,000.00	
Security Fluctuation	1,593,111.74	
	$2,718,111.74	
Capital Paid In	2,000,000.00	
Surplus	9,937,698.67	
Surplus to Policyholders		14,655,810.41
TOTAL		$26,743,994.28

Bonds and Stocks are valued in accordance with requirements of the State of New York Insurance Department. On the basis of December 31, 1946 market quotations for all bonds and stocks owned, this company's Total Admitted Assets and its Surplus to Policyholders would be increased by $543,875.68. Securities carried at $1,142,214.39 in the above statement are deposited as required by law.
This statement does not include claims amounting to $252,310.20 for refund of prior years excess profits taxes.

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UNITED STATES GUARANTEE COMPANY

NEW YORK CITY

FIDELITY SURETY CASUALTY

Aviation Insurance through Associated Aviation Underwriters

Methods and Ideas

Banks Build and Modernize

WHETHER bank modernization and new construction will prove to be the "banking story of the year" remains to be seen, but there are signs that the "impending boom" indicated by BANKING's survey of banks' building plans last Summer may be under way. Certainly interest in construction, remodelling and renovation was never greater, and we are getting many inquiries for pictures of and other information about new banking premises.

On this and following pages are photographs of what some banks have already done to adapt their quarters to present-day service needs.

Architect's sketch of the new Stadium Branch of The United States National Bank, Portland, Oregon

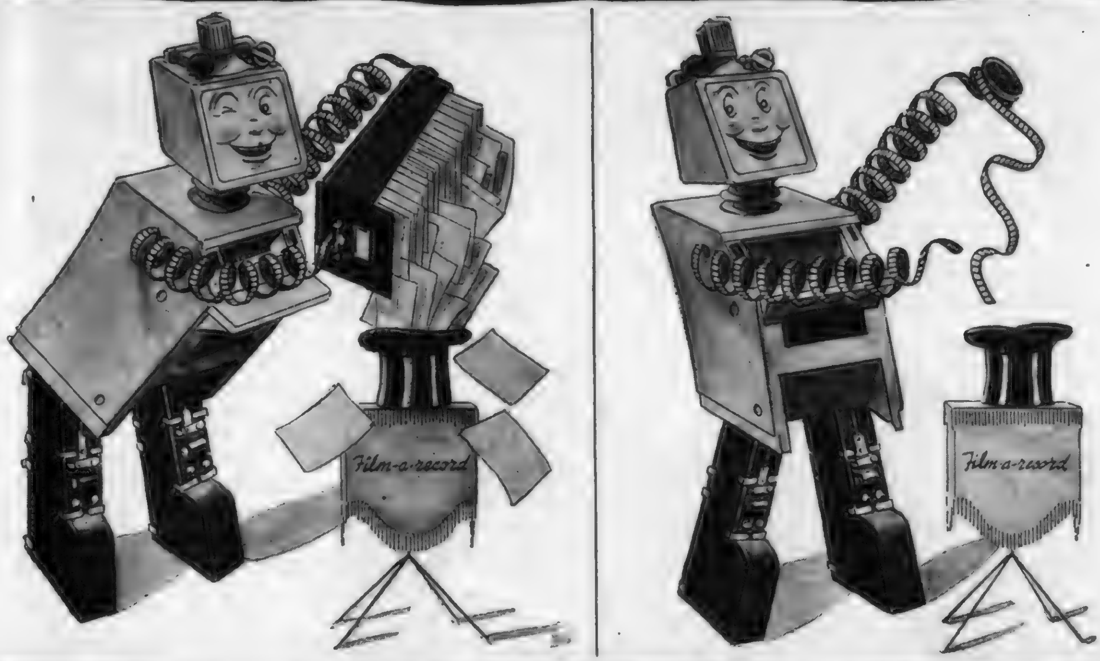
Left, Seattle-First National's new Industrial Branch follows functional design adopted by the bank for its buildings

Right, the First National Bank of Milltown, New Jersey, changed its old-fashioned interior into a modern layout

Below, new Bank of Virginia Beach is built of white limestone and Virginia greenstone

The interior of the new two-story addition of the American Trust and Banking Company, Chattanooga, is finished in walnut

There's A Method In This Magic



Have Your Valuable Records "FILMED-FOR-FINDING"

The new Remington Rand Microfilming Service, Filing-on-Film with Micro-Matic Controls, is specially designed to index and File-on-Film your permanent, valuable records . . . such as those in the Trust Department. It provides the machine, the film, and the professional personnel.

Filing-on-Film with Micro-Matic Controls assures these five important points:

a. *Full and accurate film indexing*
b. *Planned professional microfilming*
c. *Easy reading of every image*
d. *Legal certification of the micro-records*
e. *Minimum cost—maximum quality*

We will put all your semi-active or inactive records within arm's reach of your secretary and, with a finding time of less than one minute for any one of them. The new Film-a-record Reader makes these micro-records clear and sharp—easy to read.

Filing-on-Film
Micro-Matic Controls

If you are not microfilming, investigate it. If you are microfilming, compare it. To do either simply send us this coupon. Act today!

Remington Rand

FILM-A-RECORD Room 1642
315 Fourth Ave . New York 10

Name__________ Title__________

Company__________

Address__________

Methods and Ideas—continued

Hoarded Money

"Taxes on Money Hoarded in a Safe Deposit Box" is the title of a little folder mailed by the GARY (Indiana) NATIONAL BANK to each box renter with his annual bill.

The folder points out that money in a safe deposit box is subject to the regular property tax each year; the current tax is quoted so that the amount of liability can readily be figured by box owners.

★

The new Uptown Branch of the First National Bank, Portland, Oregon, is a 40 x 140 foot Quonset hut, which will serve until a permanent building can be erected

★

"If the owner of a safe deposit box should die," the folder points out, "any money in his box is always inventoried by the taxing authorities. His estate must then pay such taxes for past years plus any penalties and interest."

The customer is then reminded that money on deposit "does not cost the owner any taxes. . . . The bank pays the intangible tax on all accounts."

"Our country has grown strong through the American banking system," continues the folder. Hoarded money becomes a heavy drain on our currency system. This money should be invested in a strong bank or invested in United States Savings Bonds.

"Idle money does not help anyone. Once it has been deposited in a bank it immediately goes to work for our community and the nation."

H. S. Jackson, assistant vice-president, reports that the leaflet was prepared as a public service to acquaint customers with the law. It has aroused considerable interest.

"We have not been able to determine whether any money has come out of hiding as a direct result," he says, "but we do feel that it is a step in the right direction."

From the Pinnacle of 100 Years

Entering its 100th year, the BURLINGTON (Vermont) SAVINGS BANK issued its annual report in the form of a large broadside explaining current problems and the nature of its service and traditions.

After a conversational, informative review of the institution's affairs during the past year, President Levi P. Smith sums up the present outlook. The bank, he says, sees "much to cause apprehension and more to inspire confidence:

"It sees that we as a people must have exalted standards and compelling aims if we are to hold our own against the forces that doubt and oppose us.

"It sees us facing the ultimatum that comes sooner or later to every state and civilization when, to survive, it must prove itself fit for survival.

"It sees that to survive we must be

(CONTINUED ON PAGE 106)

The bank she holds in her hand

A passbook is a little thing. It's a small record ...of large effort and personal accomplishment. And yet to many people who have struggled to save, it represents *their bank!* Quality and appearance are important, since they reflect the prestige and standing of *your* bank.

Todd-produced passbooks for machine posting, made to exact size, are easy to insert in any posting machine, supply unfailing accuracy and increased control through line, book, and page numbers. Expertly lithographed, all copy is clearly legible. And quality of materials and workmanship assure long life—an important feature.

Made with pages of patented, self-cancelling Super-Safety paper and bound in cloth or hand-colored, two-tone Antique Moorish, Todd machine passbooks can be styled to incorporate individual designs in a wide variety of colors. You have to see and feel them to realize the difference! Your depositors will be proud of them. Send the coupon today for samples and complete information.

Todd COMPANY, INC.

ROCHESTER NEW YORK
SALES OFFICES IN PRINCIPAL CITIES
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THE TODD COMPANY, INC., Rochester 3, N.Y.

Gentlemen:

I am interested in your passbooks and would like to receive samples and complete information.

Name__________ Title__________

Bank__________

City County State

B-3-47

Methods and Ideas

(CONTINUED FROM PAGE 104)

better than we were only a few years ago, when we proved so unsure of our traditions, so divided in our aims, so blinded by our several selfish hates and greeds, that we let Hitlerism grow from weakness to almost overpowering strength.

"It sees that we had a close enough call then to make us watch our step now and be humble and value the freedom our fathers won for us, and be alert and united to resist dangers before they become overwhelming.

Lobby of the new premises of the Oregon Mutual Savings Bank in Portland

"It sees that we as a people, at a sad cost, have just won a great modern war, waged as only total war is waged; and that in winning it we have opened up vast new fields for discovery and galvanized into action so great a multitude of disciplined and skilled men and women as to constitute in number and training such a wealth of human resources as the world never knew before.

"It sees the lesson of our narrow escape canceling out some of the selfishness and intolerance and leaving us more united and with a better understanding of our common heritage.

"It sees the aroused and disciplined human resources tending to balance the burden of debt, and the advances of science offsetting some part of the destruction.

"It sees the resilience with which nations have invariably recovered after great wars, giving added hope.

"In view of everything, the old Burlington Savings Bank finds the outlook encouraging—more encouraging than anyone has a right to expect."

Anniversary Advertising

The MALDEN (Massachusetts) TRUST COMPANY observed its 50th birthday by mailing its customers a two-color folder written on the theme "*You* made us what we are today."

"Strong, of course," it said, "is the temptation to sit back in smug complacency and review our progress during the first half of our first century . . . but we're not indulging, thank you. After all, it's *your* bank, you know. And for the very good reason that you, our friends and customers, have made this bank the robust institution that it is today, we want *you* to have any presents there may be on *our* fiftieth anniversary.

"The presents? Yes, they will come to you in such things as even greater security; better equipment and quarters; and, if possible, even warmer and more friendly interest and service."

The bank's main departments and services were pictured and briefly described. On one page of the folder was a large photograph of the staff and comparative statements for 1896 and 1946

Right, new trust offices of The First National Bank & Trust Co., South Bend, Ind.

Left, new banking room of the National Bank of Tulsa

Birthday Cards

The FARMERS & MERCHANTS BANK of Highland, Illinois, remembers the birthdays of customers and friends by sending them a greeting card, signed by staff members, "On Account of Your Birthday."

Message from Mamma

At the Chicago run of the play "I Remember Mamma," the CHICAGO TERMINAL NATIONAL BANK distributed, between acts, a folder endorsing the ideal of thrift which "Mamma" held up to her family.

"What Mamma wished for you can have," said the folder, and it went on to tell how to get security by saving.

Country Bank Ads

The BANK OF MARSHALL COUNTY, Benton, Kentucky, has been running a series of newspaper ads closely associated with the agricultural development of the county.

Inasmuch as farm agencies and many other organizations and individuals interested in farming were customers, the bank thought it would be a good idea to direct some advertising along that line. So it ran a series in local weekly newspapers on soil conservation and improvement, health and sanitation, 4-H clubs, and education.

B. L. Trevathan, cashier, reports that the bank received many compliments for its efforts to show local people that it was interested in them.

Human Interest in Annual Reports

An increasing number of banks are brightening their annual reports with pictures, discoursive accounts of the year's operations, and a general physical attractiveness that promotes readability.

First National Bank of Palm Beach, in its 1946 report, uses a color photograph on the cover. The inside of the pamphlet is extensively illustrated with views of the bank and its staff. The condition statement, a message from President Wiley R. Reynolds, and a list of officers, key employees and directors occupy the last three pages.

Lincoln Rochester Trust Company of Rochester, New York, expressing a bit of the human interest side of banking as well as presenting the bank's figures, published a two-color brochure, illustrated with photographs and art work. A feature is a six-page story on what happens to a check when it passes through the bank. The steps are explained in readable text and interesting pictures and cartoons.

Remodelled banking room of the Greenville (Miss.) Bank and Trust Company

Merchandise National Bank of Chicago also did a semi-pictorial job with its report which is illustrated with full page photographs and color charts, supplemented with text that tells the year's story in layman's language.

Atlanta Murals

Two large murals now decorate the lobby of The Bank of Georgia, Atlanta. Contrasting Atlanta's skyline and North Georgia's mountain scenery, the pictures were made by Elliott Lyman Fisher.

"By selecting pictures which show both the countryside and the largest city of Georgia," said Joseph E. Birnie, president of the bank, "we are trying to depict the rich and dramatic contrast that is so characteristic of this state."

Orlando Brochure

The First National Bank, Orlando, Florida, is circulating a color brochure containing factual information about that city and state. It is sent to key executives in this and foreign countries with the suggestion that it be filed for reference against inquiries about Florida. One page is devoted to copy about the bank. Another gives airline distances to Orlando from cities in North, South and Central America. The inside of the folded folio is a reprint of a full page newspaper ad.

Three-Dimension Displays

Public National Bank and Trust Company of New York caught the eyes of pedestrians passing a Broadway branch with dramatic diorama window displays featuring various services.

To acquaint the public with the bank's foreign trade facilities, realistic scenic effects were used: a model of a freighter berthed at an overseas dock, a large cargo transport plane unloading goods at an oriental airport. To promote commercial loan services, a complete factory, built to scale, was displayed.

A City and a Bank

This is the centennial year of Evansville, Indiana, and in observance of the

anniversary the OLD NATIONAL BANK, whose original charter predates the city's by 13 years, presents in its 1946 annual report the story of its contributions to the development of Evansville, the bank's present services, and its business viewpoint.

The cover of the pamphlet is a reproduction of the charter of the Branch Bank at Evansville, 1834, with an illustration of the first bank building as an inset. The bank's history is presented partly from documents.

Free Orange Juice

There's pure, fresh, cold orange juice (Florida oranges, of course) in the lobby of the American National Bank of Jacksonville, and it's free. Just turn the spigot and take all you want.

The idea was President FRANK W. SHERMAN'S, and the bank reports that as a public relations-advertising project, it's highly successful.

Friends of the bank have become so accustomed to the drink that one morning when there was a delay in filling the tank a visitor exclaimed, "Gee! I come early to be sure of a drink, and now no juice." Another day, a youngster piped up: "Mommy, I've just drunk seven cups."

News Letter

CENTRAL NATIONAL BANK AND TRUST COMPANY of Des Moines issues during the state's general assembly a weekly news letter of the legislature's proceedings. Included are brief reports of activities scheduled by both houses, and summaries of new financial bills.

Conference room in New York offices of the special credit representative of The First National Bank of Boston. The photomural shows that city

Business Has a Story to Tell

USE of public relations as a management tool for the sale not only of goods but of ideas in support of the American system was discussed by several hundred business men at a recent meeting in New York.

Although the Fourth National Conference of Public Relations Executives, sponsored by the National Association of Manufacturers, was primarily for industrial leaders, much of the discussion was applicable to banking. Speakers pointed out that an aggressive public relations policy in business and industry could strengthen free enterprise against collectivism. They also emphasized that words must be implemented by deeds, that business must talk plainly to the public, that it must identify its aims with the public good, that it must maintain communication lines between front office and shop.

ABOVE all, perhaps, was the point that modern public relations is a function of top management, and not merely a trade.

"Whatever we do must be done quickly," said Holcombe Parkes, NAM's vice-president in charge of public relations. "There is no time for petty argument. The spreaders of unrest are still with us. There are just as many fanatical collectivists in this country today as there were before November 5. And they are better organized, better financed, more united, and fired with even greater zeal to remake America by their first taste of adversity since 1932.

"So we've got to grow up—now. We've got to organize—now. We've got to raise our sights and be ready—now. We've got to do a job of selling our way of life to our kind of people—a job of keeping freedom alive in this world. This is our golden opportunity. It will not come again, nor will it remain long.

Many people, he said, are taking for granted the products and benefits of the American industrial system, while at the same time they "blandly subscribe to boot-strap economics and accept as real the shining gold bricks of the collectivist pitch-men.

"Businessmen are recognizing this paradox. They are saying: Inventing, building and selling are not enough these days. Unless the American people understand and appreciate these processes and the economic system of which they are a component part, the very

processes that produce the greatest good for the greatest number could be destroyed by starvation or strangulation, or just sheer neglect."

Frederick C. Crawford, president of Thompson Products, Inc., and a former NAM president, suggested that industry build "a friendly shop" by ascertaining what workers want and then giving it to them. In selling the "economic facts of life" to its workers and stockholders, business should do just as efficient a sales job as it does in marketing its wares.

"This is the period of limelight for the affairs of American industry," said Mr. Crawford. "The era of cover-up and kill-the-story is dead. The public wants the facts laid on the line and it's up to us to deliver the goods.

"The time has come for us to expose every feature, every salary, every cost, and even all the dirt in our business to the American people. Challenge every economic lie and every economic heresy, and above all keep pounding in the facts of what business and industry contribute to the American economy and the welfare of the American people."

Dr. Claude Robinson, president of Opinion Research Corporation, presented three fundamentals for a successful public relations program:

(1) Start with good deeds—but they're not enough. They must be interpreted or the public may misconstrue them.

(2) Industry must "get on the Lord's side" by identifying its purposes with the public good before it tries to sell the people on means for attaining its goal.

(3) Talk plainly so that the public understands what industry is trying to say.

Louis B. Selzer, editor of the *Cleveland Press*, suggested a few rules for public relations men to follow in rendering maximum usefulness to newsmen. They were:

The public relations man should establish himself first as an expeditor who makes it easy to meet the principal.

He should be an indispensable expert on the affairs of his client or company.

He should meet the newsman on grounds of common candor, dealing fully and freely with the requirements of the reporter's assignment to get at the facts.

FIVE-DAY WEEK

In several states the five-day week for banks has already been made permissive or mandatory by legislative action. Legal aspects of "Saturday closing" will be covered in a BANKING article next month.

Registered Mail and Express Insurance Rate Cut

PREMIUM rates charged for registered mail and express insurance were reduced substantially and the quality of coverage improved on March 1, 1947, according to James E. Baum, deputy manager of the American Bankers Association and secretary of the Insurance and Protective Committee. These concessions followed conference of the Insurance and Protective Committee with underwriters' representatives and their joint study of loss experience, rates and policy forms, on which the Committee reported at the Association's annual convention last September.

In contrast with the wide variation in some 50-odd rate schedules previously used, ranging from 5 cents to 26 cents per $1,000 on securities and from 10 cents to 35 cents per $1,000 on currency shipped by registered mail, the companies simplified their schedules by adopting uniform flat rates. The reduced rates apply to shipments between places in the continental United States and from places in the continental United States to border provinces in Canada and vice versa.

The new rates for negotiable securities or non-negotiable securities not declared for their full value, are four cents per $1,000 on registered mail or express shipments, eight cents per $1,000 on currency shipments, and one cent per $1,000 on non-negotiable securities when insured for their full market value. As heretofore, registered air mail shipments are charged double the current rates.

The registered mail and express policies of all companies are to be endorsed as of March 1 to clarify and improve them as follows:

(1) To provide coverage until property is delivered specifically to the addressee, his agent or representative or member of the addressee's household at the place of address and to specify "physical loss of or damage to or destruction of property insured." Prior to March 1, the policies of some companies covered shipments only to the "office or place of address" or "premises" of the addressees.
(2) In the event of non-delivery by reason of error in address or removal of addressee, insurance continues until shipment is delivered at the proper address or until returned to premises of the sender. Heretofore, this coverage was qualified by a proviso "that the shipments have not left the custody of the postal service or express company."
(3) Shippers and consignees of registered mail and express shipments are protected for theft losses on the part of employees of senders or addressees as excess of other insurance or surety. This is important, particularly to large consignee banks which may receive in one delivery shipments with aggregate

"Carbonated Beverages, Inc.—burp!"

values exceeding the total amount of applicable fidelity coverage. Under such circumstances, the consignee banks have no control over the question as to whether adequate fidelity insurance is in force to cover from the post office to their premises.

(4) With respect to loss through theft by employees of senders or addressees which may be indemnified under bankers blanket bonds, the underwriters of registered mail policies agree to pay the amount of premium experience credit that otherwise would have been earned under such bonds had such loss not been so indemnified. In other words, while the registered mail policy furnishes only excess insurance over blanket of fidelity bonds, the insured bank will be made whole for the amount of any experience credit it may lose under its blanket bonds on account of the theft of a registered mail shipment by an employee between the bank and the post office.

(5) Another improvement from the assureds' point of view is their option to replace lost stocks, bonds and rights up to 105 percent of the amount declared for insurance, provided the amount declared was not less than the market value on the date of shipment. Some banks have followed a practice of declaring shipments of securities for 105 percent or more of their market value so that the bank would be fully indemnified in the event of an increase in market values between the time of shipment and when a loss became known. This excess valuation is no longer necessary unless the shipper desires more than a 5 percent margin.

Except as mentioned in paragraph five, recoveries under registered mail and express policies continue to be limited by the amounts declared for insurance. The changes outlined apply to daily or monthly reporting policies. Some companies will also endorse annual premium adjustment registered mail policies effective as of March 1, while others will do this as they come up at their anniversary dates. The latter, however, will construe such policies as if the endorsement had been issued on March 1.

Effective March 1, the rates under annual adjustment policies on shipments between the territorial limits already mentioned with respect to currency and securities are six cents, instead of eight cents, per $1,000 on registered mail or express shipments and 12 cents, instead of 16 cents, per $1,000 on registered air mail shipments. The charge for non-negotiable securities insured for full value is 25 percent of the new rates. The existing minimum premium of $5 per year for annual policies continues.

The only successful substitute for brains is silence.

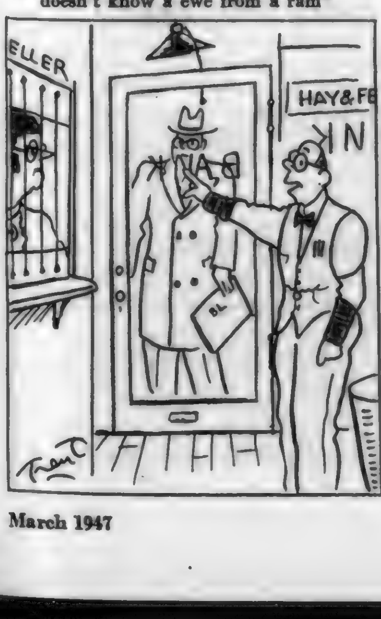
The world never recognizes a poet until after he is dead and then the fellow is safe.

If Congress ever exempts earned incomes from tax, the fellow who married for money will be tax free.

There are two groups who never know what the people want: Congress and the people.

Marriage is one field in which the amateurs have the best chance of success.

"Here's that city bank examiner who doesn't know a ewe from a ram"



MONEY ISN'T EVERYTHING—

(OR IS IT?)

BY GROUCHO MARX

WHAT do you want to save up a lot of money for? You'll never need the stuff.

Why, just think of all the wonderful, wonderful things you can do *without* money. Things like—well, things like—

On second thought, you'd better keep on saving, chum. Otherwise you're licked.

For instance, how are you ever going to build that Little Dream House, without a trunk full of moolah? You think the carpenters are going to work free? Or the plumbers? Or the architects? Not those lads. They've been around. They're no dopes.

And how are you going to send that kid of yours to college, without the folding stuff? Maybe you

think he can work his way through by playing the flute. If so, you're crazy. (Only three students have ever worked their way through college by playing the flute. And they had to stop eating for four years.)

And how are you going to do that world-traveling you've always wanted to do? Maybe you think you can stoke your way across, or scrub decks. Well, that's no good. I've tried it. It interferes with shipboard romances.

So—all seriousness aside—you'd better keep on saving, pal.

Obviously the best way is by continuing to buy U. S. Savings Bonds—through the Payroll Plan.

They're safe and sound. Old Uncle Sam *personally* guarantees your investment. And he never fobbed off a bum I.O.U. on *anybody*.

You get four bucks back for every three you put in. And that ain't hay, alfalfa, or any other field-grown product.

Millions of Americans—smart cookies all—have found the Payroll Plan the easiest and best way to save.

So stick with the Payroll Plan, son—and you can't lose.

SAVE THE EASY WAY... BUY YOUR BONDS THROUGH PAYROLL SAVINGS

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Snyder Praises Banks

THROUGH the cooperation of banks and "other lending agencies" in reporting unusual transactions, the Treasury has been able to collect $2 billion, over a period of a year and a half, from tax evaders, according to John W. Snyder, Secretary of the Treasury.

Mr. Snyder addressed the annual meeting on January 24 of the Bankers Club of Pittsburgh, held at the Duquesne Club. Among the guests (and shown in the photograph on this page) were D. Emmert Brumbaugh, newly appointed Secretary of Banking for Pennsylvania; T. C. Swarts, executive vice-president of the Woodlawn Trust Company, Aliquippa, Pennsylvania, and president of the Bankers Club, who presided at the meeting; and John K. McKee, president of the Continental Bank & Trust Company, New York.

Wartime black market operators were large contributors to the recovered tax funds, Mr. Snyder explained in his address to the Bankers Club. He illustrated his talk with specific cases of unreported income, in which currency reports of banks had been of great assistance.

Discovery of a "small businessman" who made a fortune in the stock market, but did not inform the Treasury, was made possible by bank reports of a large check cashed by the tax evader.

The stiffest penalty was an eight-year prison sentence for a black market liquor operator in the Southwest. The black market operators "miscalculated" in their tax evasion attempts, according to Mr. Snyder. In tax evasion cases, unreported outside income is a major factor.

"A steady procession of cases into the federal courts is demonstrating that cheating in federal taxes does not pay."

Secretary Snyder also commended the banks on their work in the War Loan drives.

"The banks have not ceased, with the ending of hostilities, to give us support in this field. Throughout the country, they have taken the lead in our campaign to bring to the attention of industry the importance of a continuing payroll savings program.

"In addition, the banks have rendered a great service in the redemption of Savings Bonds. I expect that in the future we shall have to call upon you for similar assistance for the redemption, upon maturity, of the Terminal Leave Bonds of our servicemen."

Mr. Snyder stressed the importance of positive identification of persons cashing bonds.

"Minute Interviews"

"I joined the Navy in '43—saw service as a Radioman 1st Class on P.C. Boats in the Pacific. While I was overseas, my father opened an account for me at Franklin, so I could bank what I sent home. I'm still in radio—commercial radio now—and I'm still saving for the things I want," said Leon H. Baumlin, Rochelle Park, New Jersey, in an advertisement for The Franklin Savings Bank, New York.

Newspaper advertisements for the bank feature "Minute Interviews," under that caption, in "roving reporter" style, with photographs and statements by depositors (usually two interviews to one advertisement). The language is simple and actual interviews are used, giving them more authority and interest than "imaginary" testimonials. In fact, Franklin Savings asserts that its interviews with depositors have brought out many unusual sidelights on saving.

"We believe the time has come to make a complete breakaway from the traditional in savings bank advertising and have decided to let our depositors speak for themselves in space paid for by The Franklin Savings Bank," states Henry J. Cochran, president of the bank.

★

Shown at the annual meeting of the Bankers Club of Pittsburgh, Pennsylvania are: *l. to r.*, D. Emmert Brumbaugh, T. C. Swarts, John W. Snyder, and John K. McKee

★

"Our National Debt and the Banks"

INFLATIONARY forces arising from a great expansion in the nation's money supply can best be curbed at the source by reducing the federal debt and inducing non-bank investors to buy more bonds, thus reducing the $89 billion in government bonds now held by commercial banks, according to a study of our national debt and the banks by the Committee on Public Debt Policy, headed by W. Randolph Burgess, vice-chairman, National City Bank of New York, and former president, American Bankers Association.

The study was drafted by Roy L. Reierson, assistant vice-president, Bankers Trust Company, New York, and has been reviewed and approved by the Committee. It describes the expanded money supply as the major economic problem arising out of war financing, the solution of which "is largely a matter of government fiscal policy and Federal Reserve policy and not a matter of bank management."

"Never before in the nation's history," the study finds, "has the money supply been so large either in terms of its absolute size or in relation to national income. During the six defense and war years the amount of money in circulation increased almost fourfold, from $7.6 billion at the end of 1939 to 28.5 billions at the end of 1945.

"During the same period, demand deposits of commercial banks increased almost threefold, from 29 billions to 75 billions. If time deposits and government deposits are included, total deposits of commercial banks increased from 45 billions at the end of 1939 to 128 billions at the end of 1945, almost a threefold growth." The increases in deposits during the war years reflect large purchases of government securities by the banks to support the war financing program. The banks were in effect underwriters of the great war loans—ready to take what could not be sold to other investors.

THE committee believes the only effective method for restoring a more normal balance between the supply of money and the volume of business, is to reverse the process by which the money supply was increased during the war; in short, to follow policies that will reduce bank holdings of the federal debt. This means reducing the national debt out of a budget surplus and selling more bonds to investors largely through continued and increased distribution of savings bonds.

The great increase in bank holdings made necessary by war financing, the study finds, has transformed the banks largely into institutions investing in government securities rather than institutions lending to private enterprise. This development is described as a matter of concern to many bankers, a great majority of whom "have had, and still have, an active desire to increase their lending to commerce, industry, agriculture and individuals." As an indication of this desire, an expansion of their loans and a reduction of their holdings of government securities since the Victory Loan of 1945 is cited.

The commercial banks at the beginning of 1940 held $15.6 billion of the government debt; six years later they held $88.9 billion, but so great was the increase in federal borrowing during that period, the study finds, that the percentage of the banks' holdings of the government debt actually was reduced from 33 to 32 percent. While this expansion of more than 73 billions in the banks' holdings of the government debt was occurring, their loans were increased by less than nine billions, a large part of this increase being attributed to the banks' contribution to the defence and war effort through extension of loans to industry and to enable others to purchase government bonds.

SUCCESSFUL war financing, requiring purchase of large amounts of government securities by the banks and the writing up of deposit credits for the Government's use, "blows up the (banking) system far beyond its natural size," according to the study. The process, it adds, "changes the structure of banking. It affects profoundly the problems of both commercial and central banking and requires establishment of new relationships between commercial and central banks. In all these changes the public interest is greatly involved. Inflation of the banking system inflates the money supply. The influence of the vast increase in the money supply permeates the whole economic structure and affects all our economic life."

While bank capital is now about 13 percent higher than it was in 1929, deposits are nearly 250 percent larger and loans and investments about 200 percent higher. However, because of a

substantial improvement in recent years in the quality of bank assets, the study views the decline in the capital cushion as not so serious as the ratio of these percentages might imply, adding that "the condition of bank assets, on the average, has probably never been better than it is today." The study concludes that "The war has left the banking system and commercial banks strong and in a good position to meet the demands of their customers."

Governmental fiscal policies, Federal Reserve policies and other phases of the debt problem, the Committee on Public Debt Policy indicated, will be discussed in subsequent studies to be made public during the next few months.

$10 Million Annual Forgeries

Close to $10 million is lost annually through forgeries, and most of it comes out of the tills of neighborhood business establishments, according to *Coronet Magazine*.

To show how it's done, the January issue of the magazine recounts the story of a neatly dressed man, accompanied by a woman and small child, who entered a shoestore in Shamokin, Pennsylvania, one Saturday afternoon. He wanted to buy the youngster a new pair of shoes. He was affable and talkative, and while the shoes were being fitted, explained that he and his wife had visited a cousin in town and now were taking a motor trip to New York to collect a small legacy.

Possibly the storekeeper could cash a $40 dividend check the customer had just received from the Shamokin office of a large insurance company?

The storekeeper glanced apologetically at the identification offered, and cashed the check. On Monday the bank reported that the check was bogus!

This, warns the article, is a fairly typical case. Checks are usually cashed after the banks and local offices of the companies whose names are used are closed. The bait is usually a purchase. Confidence is instilled by the wife and child, the legacy and the neat appearance.

To avoid being duped by such a professional crook, or by the forger who steals a legitimate check and forges an endorsement, *Coronet* suggests heeding the "Know Your Endorser" campaign inaugurated by the United States Treasury.

Here's an Idea—

When one gets older his clothes run more to latitude than to longitude.

If they don't expect to put the British pound sterling back at 4.866 again we had better start changing the arithmetic answers to all the pound and shilling problems in the old eighth grade arithmetic books.

Judging from the amount of make-up they wear, many girls believe Shakespeare's "all the world's a stage."

This country will get back to normalcy about the same time the average golfer plays what he calls his normal game.

Sometimes a man ought to ask himself whether the world has grown worse or whether he has just grown older and more pessimistic.

Polar flights, atomic bombs, a world in chaos and confusion almost make championship college football teams look unimportant.

There is nothing that makes a man more self-satisfied than a poor memory.

Nations are always racing between peace and war—that is, between more face powder or more gun powder.

When all the peace treaties are signed, all we'll have to do then is buckle down and pay off $260,000,000,000.

We suggest that the War Assets Administration hold back a few of those parachutes to let American prices down gently when the drop comes.

There is a vast difference between saturation in the automobile market and in the driver.

If 400 million Chinese keep on practicing until they really learn war, it isn't going to be too good for the future world.

Ordinarily it takes high diplomacy to be the premier of a country; with inflation over the world it now takes higher mathematics.

In the old days we suppose there were pedestrians who tried to get across the road ahead of the dinosaur.

When Tito lets some one else have his picture on the postage stamps, you will know he is slipping.

We wish the persons who talk so glibly about World War III would tell us how to handle the debts from World War II.

New Books

Pensions and Profit Sharing

PROFIT SHARING AND PENSION PLANS—PRACTICAL PLANNING AND ADMINISTRATION. By *C. Morton Winslow*. PROFIT SHARING AND PENSION PLANS—LAW AND TAXES. By *K. Raymond Clark*. Commerce Clearing House, Chicago. 2 vols. $6.50.

THESE companion books cover a subject that is currently receiving wide attention; obviously, they supplement each other and are essentially a single work. Mr. Winslow offers his volume as a clearinghouse of practical ideas on the formation and administration of the plans, whereas Mr. Clark's contribution takes up the phases indicated in his subtitle.

Mr. Winslow considers profit sharing and pension arrangements separately; he also goes into types of plans and the matter of qualification and records. An appendix reviews federal old-age and survivors insurance and presents specimen agreements of both plans covered by the book.

Mr. Clark, in four chapters, discusses legal factors, a qualified plan or trust, deduction of employer's contributions, and taxation of employee and beneficiary. The treatment is limited to cover primarily tax factors as they affect employer, employees and trust. One appendix gives the provisions of the Internal Revenue Code relating to the plans; another, the federal income tax regulations.

Taxes

MONTGOMERY'S FEDERAL TAXES—ESTATES, TRUSTS AND GIFTS, 1946–47. By *Robert H. Montgomery* and *James O. Wynn*. Ronald Press, New York. 913 pp. $10.

THIS familiar annual opens with a spirited preface by Mr. Montgomery in which he reiterates his conviction that a non-partisan commission should revamp the whole tax structure. Now that the excess profits tax and some of the other "nuisance features" have been removed from the law, the time is opportune, he says, for such a commission to get busy.

Mr. Montgomery advocates that tax rates be reduced to the point "where the Government's spendings are for necessities and the taxpayers can save at least 50 cents out of each dollar they earn, and it will follow that there will be less graft and more satisfaction in work well done and properly rewarded."

ATA Pamphlet Available

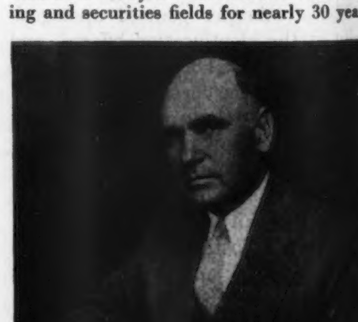
"What the Motor Carrier Thinks About Bank Financing," the address made by Ted V. Rodgers, president, American Trucking Associations, Inc., before the National Consumer and Instalment Loan Conference of the American Bankers Association, has been reprinted in pamphlet form by the A. T. A. Free copies of the booklet will be mailed to A. B. A. members upon request.

Investments

INVESTMENT ANALYSIS. By *John H. Prime*. Prentice-Hall, New York. 432 pages. $4.65.

DR. PRIME, professor of finance at New York University, pointing his book at the student of investments and at the investor, first discusses securities and their markets and then goes into the analysis of corporate financial statements. The component parts of statements are taken up separately on the theory that the investor's basic source of information is the statement and that he should be able to read it intelligently. Actual statements are used.

Lawrence Clayton, president of Clayton Securities Corporation, has recently been made a governor of the Federal Reserve Board. Mr. Clayton has been active in banking and securities fields for nearly 30 years



HARRIS & EWING

BANKING'S *Advertisers* · *March 1947*

EDITORIAL

THE CONDITION OF BUSINESS

By WILLIAM R. KUHNS

The Outlook. One large element of strength in our domestic outlook and internationally as well, is that this country seems disposed to follow a middle course for the time being, somewhere between the free, booming 20's and the not-so-free socialism of the 30's. This cardinal fact tends to be overlooked, possibly because it is rather obvious, yet in a world inclined toward extreme measures of political control it is almost unique.

It might even explain some of the business activity and confidence we have here compared to most areas abroad. At the same time it raises a question as to how long we can remain an island of high productivity and prosperity under such conditions.

Steady As She Goes. There are evidences on every hand in the capital, in editorial opinion and in the news generally that our course is "steady as she goes." There is, for example, once again a healthy difference of opinion on what is wrong and what to do with labor legislation, tariffs, national budget, taxes, foreign relations, credit and other controls, agriculture and everything else.

Also, we have not forgotten trying a few economic stunts after the first World War and running into a depression. We remember, too, that we then veered to the left only to discover a perfect recipe for making a depression last indefinitely. Now we see England, heretofore always a model of the middle way, trying to replace a weakened capitalism with an anemic socialism.

The belief that such medicine might help was a familiar illusion here in the 30's, supplanting the equally wonderful and promising illusion of the 20's, to wit, that everything was going to 500.

Certainly one of the chief factors influencing us toward a middle course today is a good recollection of our earlier bad mistakes.

It was about a year ago, when stocks were hitting a pretty lively pace, that the New York Stock Exchange itself sponsored a series of advertisements telling the public to take it easy and stop, listen and look what happened in 1929 and 1930. If any over-zealous up-bidding of prices occurs again in the foreseeable future it is a fairly safe guess that the first place in the country to feel concern will be Wall Street.

Another illusion tending to disappear is that we can export without importing, although this one admittedly is a tough one.

In the 20's we furnished to foreign purchasers, through private channels, the money to buy our goods. In the 30's we did the same thing, on a smaller scale, through public agencies. During the war this overflow of our goods abroad was achieved by the bookkeeping device of lend-lease.

Now we are faced with the challenge of finding some new formula for exporting without importing. Not much of our past expensive experience applies to the immediate problem because of two new circumstances. One is the large part of our present exports in the category of relief and rehabilitation goods. The other is that with so many foreign governments exercising strict control over foreign trade, we may be pushed into a new way of handling things at our end, a way in which tariff questions are less important.

But Not Forgotten. Other illusions that we now recall like so many hot potatoes include the attempt to manage prices by jiggling gold around, by planning scarcities, and by NRA hocus pocus.

Last but not least was the famous chant that if business won't do its job then the Government must take over.

These are the reasons for our middle course today. We made all the mistakes that the best brains of the country could think up and business became more and more hesitant.

It took only a few actual cases to demonstrate the futility of the Government taking over an industry. Experienced management was still needed and labor soon found that strikes against the Government were not the same as against helpless private employers.

Out of many recent portents that we are inclined toward a moderate, middle course for a while, two might be mentioned.

A statement on labor sponsored not long ago by the National Association of Manufacturers said in part:

"Compulsory arbitration is unconstitutional, unfeasible and impractical for attaining the ends desired, and it would create a condition of involuntary servitude which eventually would lead to sabotage or violence. . . .

"Compulsory arbitration would also sound the death knell of the free-enterprise system, as well as of collective bargaining, by putting the Government in control of wage rates, and thereby in a position to set prices. That would be the final step in a wholly planned economy."

Another omen might be this excerpt from an advertisement which ran in a Wall Street publication from the Minnesota Federation of Labor (AFL):

"The AFL unions of Minnesota have skilled workmen . . . serious producers, proud of their craft, their company and the products turned out. They believe that their interest in Minnesota and in attracting good firms to the state enhances their earning power.

"We suggest that any industry, considering a plant in Minnesota, contact the proper civic organization in the town contemplated. No matter what town that is—write us, too! We'd like to cooperate in helping you to locate favorably in Minnesota—and to establish mutually profitable labor relations."

This whole trend toward moderation is reflected in a sideways movement of business which is just what was needed at this time to let reconversion jell. Such eras are indeed rare in business history.

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